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Form 990

## Return of Organization Exempt From Income Tax

2010

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

Department of the Treasury

Internal Revenue Service

► The organization may have to use a copy of this return to satisfy state reporting requirements

## A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

B Check if applicable	C Name of organization CANDLER HOSPITAL INC		D Employer identification number 58-0593388
<input type="checkbox"/> Address change	Doing Business As		E Telephone number (912) 819-6162
<input type="checkbox"/> Name change	Number and street (or P O box if mail is not delivered to street address) 5353 REYNOLDS STREET		F Gross receipts \$ 191,996,241
<input type="checkbox"/> Initial return	Room/suite		
<input type="checkbox"/> Terminated	City or town, state or country, and ZIP + 4 SAVANNAH, GA 31405		
<input type="checkbox"/> Amended return	F Name and address of principal officer PAUL P HINCHEY CEO 5353 REYNOLDS STREET SAVANNAH, GA 31405		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Application pending			H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)

I Tax-exempt status  501(c)(3)  501(c) ( ) (insert no)  4947(a)(1) or  527

J Website: ► WWW SJCHS.ORG

K Form of organization  Corporation  Trust  Association  Other ► L Year of formation 1934 M State of legal domicile GA

## Part I Summary

1 Briefly describe the organization's mission or most significant activities ROOTED IN GOD'S LOVE, WE TREAT ILLNESS AND PROMOTE WELLNESS FOR ALL PEOPLE CANDLER HOSPITAL, INC PROVIDES COMPREHENSIVE HEALTHCARE SERVICES TO THE SURROUNDING COUNTIES THROUGH THE OPERATION OF A 331-BED ACUTE CARE HOSPITAL IN SAVANNAH, GA		
2 Check this box ► if the organization discontinued its operations or disposed of more than 25% of its net assets		
3 Number of voting members of the governing body (Part VI, line 1a) . . . . .	3	19
4 Number of independent voting members of the governing body (Part VI, line 1b) . . . . .	4	18
5 Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . . .	5	2,086
6 Total number of volunteers (estimate if necessary) . . . . .	6	124
7a Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .	7a	5,654,671
b Net unrelated business taxable income from Form 990-T, line 34 . . . . .	7b	-228,451

8 Contributions and grants (Part VIII, line 1h) . . . . .	Prior Year	Current Year
9 Program service revenue (Part VIII, line 2g) . . . . .	426,849	457,452
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) . . . . .	206,931,568	180,669,200
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-303,415	790,053
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	9,546,810	10,079,536
	216,601,812	191,996,241

13 Grants and similar amounts paid (Part IX, column (A), lines 1-3) . . . . .		
14 Benefits paid to or for members (Part IX, column (A), line 4) . . . . .		0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	92,810,088	90,263,649
16a Professional fundraising fees (Part IX, column (A), line 11e) . . . . .		0
b Total fundraising expenses (Part IX, column (D), line 25) ►0		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f) . . . . .	120,719,985	96,904,370
18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	213,530,073	187,168,019
19 Revenue less expenses Subtract line 18 from line 12 . . . . .	3,071,739	4,828,222

20 Total assets (Part X, line 16) . . . . .	Beginning of Current Year	End of Year
21 Total liabilities (Part X, line 26) . . . . .	89,900,583	105,830,915
22 Net assets or fund balances Subtract line 21 from line 20 . . . . .	81,443,452	79,449,061
	8,457,131	26,381,854

## Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	***** Signature of officer GREGORY J SCHAACK CHIEF FINANCIAL OFFICER Type or print name and title	2012-04-15 Date
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Paid Preparer Use Only	Print/Type preparer's name JACQUELINE G ATKINS	Preparer's signature JACQUELINE G ATKINS	Date 2012-04-11	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ► DRAFFIN & TUCKER LLP			Firm's EIN ►	
	Firm's address ► PO BOX 6 ALBANY, GA 317020006			Phone no ► (229) 883-7878	

May the IRS discuss this return with the preparer shown above? (see instructions)  Yes  No

### **Part III Statement of Program Service Accomplishments**

Check if Schedule O contains a response to any question in this Part III

■

**1** Briefly describe the organization's mission

ROOTED IN GOD'S LOVE, WE TREAT ILLNESS AND PROMOTE WELLNESS FOR ALL PEOPLE CANDLER HOSPITAL, INC PROVIDES COMPREHENSIVE HEALTHCARE SERVICES TO THE SURROUNDING COUNTIES THROUGH THE OPERATION OF A 331-BED ACUTE CARE HOSPITAL IN SAVANNAH, GA

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . .

Yes  No

If "Yes," describe these new services on Schedule C.

**3** Did the organization cease conducting, or make significant changes in how it conducts, any programs or services?

Yes  No

If "Yes," describe these changes on Schedule Q.

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses  
Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

**4a** (Code ) (Expenses \$ 147,628,460 including grants of \$ ) (Revenue \$ 210,043,158

CANDLER HOSPITAL, INC IS AN ACUTE CARE HOSPITAL LOCATED IN SAVANNAH, GEORGIA IN FURTHERANCE OF ITS TAX-EXEMPT PURPOSE, CANDLER HOSPITAL, INC 1) MAINTAINS AND OPERATES PERMANENT FACILITIES THAT PROVIDE BOTH INPATIENT AND OUTPATIENT SERVICES FOR THE DIAGNOSES AND TREATMENT OF PATIENTS SUFFERING FROM ILLNESS OR INJURY, 2) PROMOTES AND PROVIDES HEALTH EDUCATION PROGRAMS, SUPPORT GROUPS AND VARIOUS COMMUNITY SERVICES FOR ALL PEOPLE OF SAVANNAH AND THE SURROUNDING COUNTIES, 3) ENCOURAGES AND PARTICIPATES IN HEALTH SCIENCES RESEARCH FOR TREATMENT OF ILLNESS AND PROMOTION OF HEALTH, 4) INCORPORATES ITS FAITH-BASED PHILOSOPHY IN ALL THE HOSPITAL'S ACTIVITIES AND CONTRACTS DURING FYE JUNE 30, 2011, THE HOSPITAL SERVED PATIENTS FOR A TOTAL OF 68,202 PATIENT DAYS AND 14,957 DISCHARGES EMERGENCY ROOM VISITS TOTALED 48,699. THE HOSPITAL ALSO PROVIDED SERVICES FOR 323,806 OUTPATIENT VISITS

**4b** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$

(Code ) (Expenses \$ including grants of \$ ) (Revenue \$

**4d** Other program services (Describe in Schedule O)

(Expenses \$ **including grants of \$** ) (Revenue \$

**4e Total program service expenses** **\$ 147,628,460**

**Part IV Checklist of Required Schedules**

**1** Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A.

**2** Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?

**3** Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I.

**4** **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II.

**5** Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III.

**6** Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I.

**7** Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II.

**8** Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III.

**9** Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV.

**10** Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V.

**11** If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable

**a** Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI.

**b** Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.

**c** Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.

**d** Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.

**e** Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.

**f** Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part XI.

**12a** Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII.

**b** Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.

**13** Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

**14a** Did the organization maintain an office, employees, or agents outside of the United States?

**b** Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? If "Yes," complete Schedule F, Parts I and IV.

**15** Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U.S.? If "Yes," complete Schedule F, Parts II and IV.

**16** Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U.S.? If "Yes," complete Schedule F, Parts III and IV.

**17** Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)

**18** Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II.

**19** Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III.

**20a** Did the organization operate one or more hospitals? If "Yes," complete Schedule H.

**b** If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)

	Yes	No
<b>1</b>	Yes	
<b>2</b>		No
<b>3</b>		No
<b>4</b>	Yes	
<b>5</b>		No
<b>6</b>		No
<b>7</b>		No
<b>8</b>		No
<b>9</b>		No
<b>10</b>		No
<b>11a</b>	Yes	
<b>11b</b>		No
<b>11c</b>		No
<b>11d</b>	Yes	
<b>11e</b>	Yes	
<b>11f</b>	Yes	
<b>12a</b>		No
<b>12b</b>	Yes	
<b>13</b>		No
<b>14a</b>		No
<b>14b</b>		No
<b>15</b>		No
<b>16</b>		No
<b>17</b>		No
<b>18</b>		No
<b>19</b>		No
<b>20a</b>	Yes	
<b>20b</b>	Yes	

**Part IV Checklist of Required Schedules (continued)**

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b-24d and complete Schedule K. If "No," go to line 25	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? If "Yes," complete Schedule L, Part III	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)	28a		No
a	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b		No
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28c		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV	29		No
30	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M	30		No
31	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	31		No
32	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I	32		No
33	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II	33		No
34	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? If "Yes," complete Schedule R, Part I	34	Yes	
35	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1	35	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2		Yes	No
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O	38	Yes	

**Part V Statements Regarding Other IRS Filings and Tax Compliance**

Check if Schedule O contains a response to any question in this Part V

		Yes	No
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	<b>1a</b>	74
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	<b>1b</b>	0
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return	<b>2a</b>	2,086
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	<b>2b</b>	Yes
<b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>	Yes
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	<b>3b</b>	Yes
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	<b>4a</b>	No
<b>b</b>	If "Yes," enter the name of the foreign country ► See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>	No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>	No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>	
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	<b>6a</b>	No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>	
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>	<b>7a</b>	No
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	<b>7b</b>	
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7c</b>	No
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7d</b>	
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year	<b>7e</b>	No
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7f</b>	No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7g</b>	No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7h</b>	No
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>8</b>	
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>9a</b>	
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>	<b>9b</b>	
<b>a</b>	Did the organization make any taxable distributions under section 4966?		
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?		
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter	<b>10a</b>	
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12	<b>10b</b>	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities		
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter	<b>11a</b>	
<b>a</b>	Gross income from members or shareholders	<b>11b</b>	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)		
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12b</b>	
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year		
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>	<b>13a</b>	
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state?		
<b>Note.</b> See the instructions for additional information the organization must report on Schedule O			
<b>b</b>	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	<b>13b</b>	
<b>c</b>	Enter the amount of reserves on hand	<b>13c</b>	
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>	No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	<b>14b</b>	

**Part VI Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

### Section A. Governing Body and Management

1a Enter the number of voting members of the governing body at the end of the tax year . . . . . **1a** 19

b Enter the number of voting members included in line 1a, above, who are independent . . . . . **1b** 18

2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .

3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .

4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .

5 Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .

6 Does the organization have members or stockholders? . . . . .

7a Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? . . . . .

b Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . . . . .

8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following

a The governing body? . . . . .

b Each committee with authority to act on behalf of the governing body? . . . . .

9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .

	Yes	No
1a		
1b		
2		No
3		No
4		No
5		No
6		No
7a	Yes	
7b	Yes	
8a	Yes	
8b	Yes	
9		No

### Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

10a Does the organization have local chapters, branches, or affiliates? . . . . .

b If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization? . . . . .

11a Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form? . . . . .

b Describe in Schedule O the process, if any, used by the organization to review this Form 990 . . . . .

12a Does the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .

b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .

c Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done . . . . .

13 Does the organization have a written whistleblower policy? . . . . .

14 Does the organization have a written document retention and destruction policy? . . . . .

15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?

a The organization's CEO, Executive Director, or top management official . . . . .

b Other officers or key employees of the organization . . . . .

If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions )

16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .

b If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .

	Yes	No
10a		No
10b		
11a	Yes	
12a	Yes	
12b	Yes	
12c	Yes	
13	Yes	
14	Yes	
15a	Yes	
15b	Yes	
16a	Yes	
16b	Yes	

### Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed  GA

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply

Own website  Another's website  Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

GREGORY J SCHAAK  
5353 REYNOLDS STREET  
SAVANNAH, GA 31405  
(912) 819-6162



**Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)**

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization **76**

	Yes	No
3 Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual . . . . .	3	No
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual . . . . .	4	Yes
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person . . . . .	5	No

## **Section B. Independent Contractors**

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
MORRISON'S MANAGEMENT SPECIALISTS PO BOX 102289 ATLANTA, GA 30368	DIETARY	2,227,530
ANESTHESIA ASSOCIATES 6605 ABERCORN ST SUITE 108 SAVANNAH, GA 31405	ANESTHESIA	1,546,000
RENAL ADVANTAGE INC 115 EASTPART DRIVE BRENTWOOD, TN 37027	DIALYSIS	859,614
QUEST DIAGNOSTICS PO BOX 740736 ATLANTA, GA 303740736	COLLECTION	835,155
DIAGNOSTIC PET LLC 125 SHILOH ROAD ELLAVILLE, GA 31806	DIAGNOSTIC PET	757,238

**2** Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ►29

**Part VIII Statement of Revenue****Contributions, gifts, grants  
and other similar amounts**

		(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
<b>1a</b> Federated campaigns . . . . .	<b>1a</b>				
<b>b</b> Membership dues . . . . .	<b>1b</b>				
<b>c</b> Fundraising events . . . . .	<b>1c</b>				
<b>d</b> Related organizations . . . . .	<b>1d</b>				
<b>e</b> Government grants (contributions)	<b>1e</b>				
<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>	457,452			
<b>g</b> Noncash contributions included in lines 1a-1f \$					
<b>h</b> <b>Total.</b> Add lines 1a-1f . . . . .		457,452			

**Program Service Revenue**

		Business Code			
<b>2a</b> NET PATIENT REVENUE		624100	176,971,835	176,971,835	
<b>b</b> REFERENCE LAB RELATED		621500	3,247,684	3,247,684	
<b>c</b> PRESCRIPTION CENTER RELATED		624100	449,681	449,681	
<b>d</b>					
<b>e</b>					
<b>f</b> All other program service revenue					
<b>g</b> <b>Total.</b> Add lines 2a-2f . . . . .			180,669,200		

**Other Revenue**

<b>3</b> Investment income (including dividends, interest and other similar amounts) . . . . .					
<b>4</b> Income from investment of tax-exempt bond proceeds . . . . .			790,053	790,053	
<b>5</b> Royalties . . . . .					
	(i) Real	(ii) Personal			
<b>6a</b> Gross Rents	1,910,305				
<b>b</b> Less rental expenses					
<b>c</b> Rental income or (loss)	1,910,305				
<b>d</b> Net rental income or (loss) . . . . .			1,910,305	1,910,305	
	(i) Securities	(ii) Other			
<b>7a</b> Gross amount from sales of assets other than inventory					
<b>b</b> Less cost or other basis and sales expenses					
<b>c</b> Gain or (loss)					
<b>d</b> Net gain or (loss) . . . . .					
<b>8a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .					
	a				
<b>b</b> Less direct expenses . . . . .	<b>b</b>				
<b>c</b> Net income or (loss) from fundraising events . . . . .					
<b>9a</b> Gross income from gaming activities See Part IV, line 19 . . . . .	<b>a</b>				
<b>b</b> Less direct expenses . . . . .	<b>b</b>				
<b>c</b> Net income or (loss) from gaming activities . . . . .					
<b>10a</b> Gross sales of inventory, less returns and allowances . . . . .					
	a				
<b>b</b> Less cost of goods sold . . . . .	<b>b</b>				
<b>c</b> Net income or (loss) from sales of inventory . . . . .					
Miscellaneous Revenue		Business Code			
<b>11a</b> PRESCRIPTION CENTER		624100	2,587,364	2,587,364	
<b>b</b> OTHER OPERATING REVENUE		812900	2,221,107	2,221,107	
<b>c</b> REFERENCE LAB		621500	1,843,759	1,843,759	
<b>d</b> All other revenue . . . . .			1,517,001	1,223,548	293,453
<b>e</b> <b>Total.</b> Add lines 11a-11d . . . . .			8,169,231		
<b>12</b> <b>Total revenue.</b> See Instructions . . . . .			191,996,241	182,890,307	5,654,671 2,993,811

**Part IX Statement of Functional Expenses****Section 501(c)(3) and 501(c)(4) organizations must complete all columns.****All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).**

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U S See Part IV, line 21				
2 Grants and other assistance to individuals in the U S See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees . . . . .	1,879,889		1,879,889	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
7 Other salaries and wages	71,216,377	57,177,203	14,039,174	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	2,631,488	1,989,604	641,884	
9 Other employee benefits . . . . .	10,264,959	7,928,099	2,336,860	
10 Payroll taxes . . . . .	4,270,936	3,255,603	1,015,333	
a Fees for services (non-employees) Management . . . . .				
b Legal . . . . .	489,562		489,562	
c Accounting . . . . .	188,648		188,648	
d Lobbying . . . . .	73,295		73,295	
e Professional fundraising services See Part IV, line 17 . . . . .				
f Investment management fees . . . . .				
g Other . . . . .	22,460,474	16,293,233	6,167,241	
12 Advertising and promotion . . . . .	865,760		865,760	
13 Office expenses . . . . .	44,470,212	42,427,662	2,042,550	
14 Information technology . . . . .	16,685	16,685		
15 Royalties . . . . .				
16 Occupancy . . . . .	10,567,738	6,655,146	3,912,592	
17 Travel . . . . .	85,989	77,011	8,978	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19 Conferences, conventions, and meetings . . . . .	44,865	34,937	9,928	
20 Interest . . . . .				
21 Payments to affiliates . . . . .				
22 Depreciation, depletion, and amortization . . . . .	9,899,238	8,127,655	1,771,583	
23 Insurance . . . . .	1,394,131		1,394,131	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )				
a REPAIRS & MAINTENANCE	5,174,293	2,473,807	2,700,486	
b OTHER	1,121,454	1,121,454		
c DUES	52,026	50,361	1,665	
d				
e				
f All other expenses				
25 Total functional expenses. Add lines 1 through 24f	187,168,019	147,628,460	39,539,559	0
26 Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

**Part X Balance Sheet**

		<b>(A)</b> Beginning of year		<b>(B)</b> End of year
Assets	1 Cash—non-interest-bearing . . . . .	4,495	<b>1</b>	4,548
	2 Savings and temporary cash investments . . . . .		<b>2</b>	
	3 Pledges and grants receivable, net . . . . .		<b>3</b>	
	4 Accounts receivable, net . . . . .	23,355,347	<b>4</b>	22,903,507
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .		<b>5</b>	
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L . . . . .		<b>6</b>	
	7 Notes and loans receivable, net . . . . .		<b>7</b>	83,189
	8 Inventories for sale or use . . . . .	3,670,329	<b>8</b>	3,880,306
	9 Prepaid expenses and deferred charges . . . . .	357,913	<b>9</b>	347,316
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	247,268,626	<b>10a</b>	
	b Less accumulated depreciation . . . . .	182,010,993	<b>10b</b>	50,988,846
			<b>10c</b>	65,257,633
	11 Investments—publicly traded securities . . . . .	4,438,234	<b>11</b>	1,162,565
	12 Investments—other securities See Part IV, line 11 . . . . .	1,538,108	<b>12</b>	1,428,822
	13 Investments—program-related See Part IV, line 11 . . . . .		<b>13</b>	
	14 Intangible assets . . . . .	820,546	<b>14</b>	891,936
	15 Other assets See Part IV, line 11 . . . . .	4,726,765	<b>15</b>	9,871,093
	<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	89,900,583	<b>16</b>	105,830,915
Liabilities	17 Accounts payable and accrued expenses . . . . .	12,131,631	<b>17</b>	13,437,345
	18 Grants payable . . . . .		<b>18</b>	
	19 Deferred revenue . . . . .		<b>19</b>	
	20 Tax-exempt bond liabilities . . . . .	53,792,313	<b>20</b>	48,373,289
	21 Escrow or custodial account liability Complete Part IV of Schedule D . . . . .		<b>21</b>	
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .		<b>22</b>	
	23 Secured mortgages and notes payable to unrelated third parties . . . . .		<b>23</b>	
	24 Unsecured notes and loans payable to unrelated third parties . . . . .		<b>24</b>	
	25 Other liabilities Complete Part X of Schedule D . . . . .	15,519,508	<b>25</b>	17,638,427
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	81,443,452	<b>26</b>	79,449,061
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>			
	27 Unrestricted net assets . . . . .	4,254,232	<b>27</b>	22,135,663
	28 Temporarily restricted net assets . . . . .	3,242,899	<b>28</b>	3,286,191
	29 Permanently restricted net assets . . . . .	960,000	<b>29</b>	960,000
	<b>Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.</b>			
	30 Capital stock or trust principal, or current funds . . . . .		<b>30</b>	
	31 Paid-in or capital surplus, or land, building or equipment fund . . . . .		<b>31</b>	
	32 Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>32</b>	
	33 Total net assets or fund balances . . . . .	8,457,131	<b>33</b>	26,381,854
	<b>34 Total liabilities and net assets/fund balances . . . . .</b>	89,900,583	<b>34</b>	105,830,915

**Part XI Reconciliation of Net Assets**Check if Schedule O contains a response to any question in this Part XI 

1	Total revenue (must equal Part VIII, column (A), line 12)	1	191,996,241
2	Total expenses (must equal Part IX, column (A), line 25)	2	187,168,019
3	Revenue less expenses Subtract line 2 from line 1	3	4,828,222
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	8,457,131
5	Other changes in net assets or fund balances (explain in Schedule O)	5	13,096,501
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	26,381,854

**Part XII Financial Statements and Reporting**Check if Schedule O contains a response to any question in this Part XII 

	Yes	No
1 Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a Were the organization's financial statements compiled or reviewed by an independent accountant? <input type="checkbox"/>	2a	No
2b Were the organization's financial statements audited by an independent accountant? <input type="checkbox"/>	2b	Yes
2c If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O <input type="checkbox"/>	2c	Yes
2d If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? <input type="checkbox"/>	3a	No
3b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits <input type="checkbox"/>	3b	

**SCHEDULE A**  
(Form 990 or 990EZ)**Public Charity Status and Public Support****2010****Open to Public  
Inspection**

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

Name of the organization  
CANDLER HOSPITAL INC

Employer identification number

58-0593388

**Part I Reason for Public Charity Status** (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1  A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.

2  A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E )

3  A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.

4  A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state

5  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II )

6  A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.

7  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II )

8  A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )

9  An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2)**. (Complete Part III )

10  An organization organized and operated exclusively to test for public safety See **section 509(a)(4)**.

11  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3)**. Check the box that describes the type of supporting organization and complete lines 11e through 11h

e  a  Type I      b  Type II      c  Type III - Functionally integrated      d  Type III - Other

f  By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

g  If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box

h  Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii) a family member of a person described in (i) above?

(iii) a 35% controlled entity of a person described in (i) or (ii) above?

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

i Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support
			Yes	No	Yes	No	Yes	No	
<b>Total</b>									

**Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 <b>Total.</b> Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 <b>Public Support.</b> Subtract line 5 from line 4						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
11 <b>Total support</b> (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions )					12	
13 <b>First Five Years</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and <b>stop here</b>						►

**Section C. Computation of Public Support Percentage**

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14	15	
16a <b>33 1/3% support test—2010.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		►
b <b>33 1/3% support test—2009.</b> If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		►
17a <b>10%-facts-and-circumstances test—2010.</b> If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and <b>stop here</b> . Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization		►
b <b>10%-facts-and-circumstances test—2009.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and <b>stop here</b> . Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization		►
18 <b>Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions		►

**Part III Support Schedule for Organizations Described in Section 509(a)(2)**

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</b> Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
<b>c</b> Add lines 7a and 7b						
<b>8 Public Support</b> (Subtract line 7c from line 6 )						

**Section B. Total Support**

Calendar year (or fiscal year beginning in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
<b>13 Total support</b> (Add lines 9, 10c, 11 and 12 )						
<b>14 First Five Years</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and <b>stop here</b> ►						

**Section C. Computation of Public Support Percentage**

15 Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15
16 Public support percentage from 2009 Schedule A, Part III, line 15	16

**Section D. Computation of Investment Income Percentage**

17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18
<b>19a 33 1/3% support tests—2010.</b> If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization ►	
<b>b 33 1/3% support tests—2009.</b> If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization ►	
<b>20 Private Foundation</b> If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ►	

**Part IV** **Supplemental Information.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

### **Facts And Circumstances Test**

**SCHEDULE C**  
(Form 990 or 990-EZ)**Political Campaign and Lobbying Activities****2010****For Organizations Exempt From Income Tax Under section 501(c) and section 527**

► Complete if the organization is described below.  
 ► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

**Open to Public  
Inspection**

If the organization answered "Yes," to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35a (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization CANDLER HOSPITAL INC	Employer identification number 58-0593388
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**Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.**

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV
- 2 Political expenditures ► \$ \_\_\_\_\_
- 3 Volunteer hours \_\_\_\_\_

**Part I-B Complete if the organization is exempt under section 501(c)(3).**

- 1 Enter the amount of any excise tax incurred by the organization under section 4955 ► \$ \_\_\_\_\_
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ► \$ \_\_\_\_\_
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year?  Yes  No
- 4a Was a correction made?  Yes  No
- b If "Yes," describe in Part IV

**Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).**

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ► \$ \_\_\_\_\_
- 2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ► \$ \_\_\_\_\_
- 3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ► \$ \_\_\_\_\_
- 4 Did the filing organization file Form 1120-POL for this year?  Yes  No
- 5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

**Part II-A Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).**

A Check <input type="checkbox"/> if the filing organization belongs to an affiliated group	B Check <input type="checkbox"/> if the filing organization checked box A and "limited control" provisions apply		
<b>Limits on Lobbying Expenditures</b> (The term "expenditures" means amounts paid or incurred.)		<b>(a) Filing Organization's Totals</b>	<b>(b) Affiliated Group Totals</b>
<b>1a</b> Total lobbying expenditures to influence public opinion (grass roots lobbying)			
<b>b</b> Total lobbying expenditures to influence a legislative body (direct lobbying)			
<b>c</b> Total lobbying expenditures (add lines 1a and 1b)			
<b>d</b> Other exempt purpose expenditures			
<b>e</b> Total exempt purpose expenditures (add lines 1c and 1d)			
<b>f</b> Lobbying nontaxable amount Enter the amount from the following table in both columns			
<b>If the amount on line 1e, column (a) or (b) is:</b> Not over \$500,000 Over \$500,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,500,000 Over \$1,500,000 but not over \$17,000,000 Over \$17,000,000		<b>The lobbying nontaxable amount is:</b> 20% of the amount on line 1e \$100,000 plus 15% of the excess over \$500,000 \$175,000 plus 10% of the excess over \$1,000,000 \$225,000 plus 5% of the excess over \$1,500,000 \$1,000,000	
<b>g</b> Grassroots nontaxable amount (enter 25% of line 1f)			
<b>h</b> Subtract line 1g from line 1a If zero or less, enter -0-			
<b>i</b> Subtract line 1f from line 1c If zero or less, enter -0-			
<b>j</b> If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

**4-Year Averaging Period Under Section 501(h)**

**(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)**

**Lobbying Expenditures During 4-Year Averaging Period**

<b>Calendar year (or fiscal year beginning in)</b>	<b>(a) 2007</b>	<b>(b) 2008</b>	<b>(c) 2009</b>	<b>(d) 2010</b>	<b>(e) Total</b>
<b>2a</b> Lobbying non-taxable amount					
<b>b</b> Lobbying ceiling amount (150% of line 2a, column(e))					
<b>c</b> Total lobbying expenditures					
<b>d</b> Grassroots non-taxable amount					
<b>e</b> Grassroots ceiling amount (150% of line 2d, column (e))					
<b>f</b> Grassroots lobbying expenditures					

**Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).**

	(a)		(b)
	Yes	No	
1			
a		No	
b	Yes		
c		No	
d		No	
e		No	
f		No	
g	Yes		73,295
h		No	
i		No	
j			73,295
2a			
b		No	
c			
d		No	

**Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).**

	Yes	No
1	1	No
2	2	No
3	3	No

**Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".**

1	1
2	2a
b	2b
c	2c
3	3
4	4
5	5

**Part IV Supplemental Information**

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 11. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
	SCHEDULE C, PART II-B, LINE 11	PART II-B, LINE 1G - COSTS INCURRED TO EDUCATE LEGISLATORS ON HEALTHCARE MATTERS AND ADVOCATE FOR HEALTHCARE ISSUES IMPORTANT TO GEORGIA CITIZENS AND THE ORGANIZATION

2010

Open to Public  
Inspection**SCHEDULE D**  
(Form 990)**Supplemental Financial Statements**

► Complete if the organization answered "Yes," to Form 990,  
Part IV, line 6, 7, 8, 9, 10, 11, or 12.  
► Attach to Form 990. ► See separate instructions.

Department of the Treasury  
Internal Revenue Service**Name of the organization**  
CANDLER HOSPITAL INC**Employer identification number**

58-0593388

**Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.** Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?  Yes  No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?  Yes  No

**Part II Conservation Easements.** Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)

Preservation of land for public use (e.g., recreation or pleasure)  Preservation of an historically importantly land area

Protection of natural habitat  Preservation of a certified historic structure

Preservation of open space

2 Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

	Held at the End of the Year
2a	
2b	
2c	
2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ► \_\_\_\_\_

4 Number of states where property subject to conservation easement is located ► \_\_\_\_\_

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?  Yes  No

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ► \_\_\_\_\_

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ► \$ \_\_\_\_\_

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?  Yes  No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.** Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ► \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X ► \$ \_\_\_\_\_

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ► \$ \_\_\_\_\_

b Assets included in Form 990, Part X ► \$ \_\_\_\_\_

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)**

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

a  Public exhibition      d  Loan or exchange programs  
 b  Scholarly research      e  Other  
 c  Preservation for future generations

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?  Yes  No

**Part IV Escrow and Custodial Arrangements.** Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?  Yes  No

b If "Yes," explain the arrangement in Part XIV and complete the following table

	Amount
1c	
1d	
1e	
1f	

2a Did the organization include an amount on Form 990, Part X, line 21?  Yes  No

b If "Yes," explain the arrangement in Part XIV

**Part V Endowment Funds.** Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance . . . . .					
b Contributions . . . . .					
c Investment earnings or losses . . . . .					
d Grants or scholarships . . . . .					
e Other expenditures for facilities and programs . . . . .					
f Administrative expenses . . . . .					
g End of year balance . . . . .					

2 Provide the estimated percentage of the year end balance held as

a Board designated or quasi-endowment ►  
 b Permanent endowment ►  
 c Term endowment ►

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i) unrelated organizations . . . . .      3a(i)  Yes  No  
 (ii) related organizations . . . . .      3a(ii)  Yes  No

b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? . . . . .

4 Describe in Part XIV the intended uses of the organization's endowment funds

**Part VI Investments—Land, Buildings, and Equipment.** See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .		3,972,687		3,972,687
b Buildings . . . . .		115,935,255	74,064,155	41,871,100
c Leasehold improvements . . . . .		3,743,693	3,197,966	545,727
d Equipment . . . . .		121,781,257	104,748,872	17,032,385
e Other . . . . .		1,835,734		1,835,734
<b>Total.</b> Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ►				65,257,633

**Part VII Investments—Other Securities.** See Form 990, Part X, line 12

<b>(a) Description of security or category (including name of security)</b>	<b>(b) Book value</b>	<b>(c) Method of valuation Cost or end-of-year market value</b>
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
<b>Total</b> (Column (b) should equal Form 990, Part X, col (B), line 12.) ►		

**Total.** (Column (b) should equal Form 990, Part X, col (B) line 12)

**Part VIII: Investments—Program Related.** See Form 990, Part X, line 13.

**Total.** (Column (b) should equal Form 990, Part X, col (B) line 13)

**Part IX Other Assets.** See Form 990, Part X, line 15

**Total** (Column (b)) should equal Form 990, Part X, col (B) line 15

**Part X Other Liabilities** See Form 990, Part X, line 25.

**2. Fin 48 (ASC 740) Footnote** In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740).

**Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements**

1 Total revenue (Form 990, Part VIII, column (A), line 12)	1	191,996,241
2 Total expenses (Form 990, Part IX, column (A), line 25)	2	187,168,019
3 Excess or (deficit) for the year Subtract line 2 from line 1	3	4,828,222
4 Net unrealized gains (losses) on investments	4	
5 Donated services and use of facilities	5	
6 Investment expenses	6	
7 Prior period adjustments	7	
8 Other (Describe in Part XIV)	8	-347,800
9 Total adjustments (net) Add lines 4 - 8	9	-347,800
10 Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	4,480,422

**Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return**

1 Total revenue, gains, and other support per audited financial statements . . . . .	1	191,648,441
2 Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a Net unrealized gains on investments . . . . .	2a	
b Donated services and use of facilities . . . . .	2b	
c Recoveries of prior year grants . . . . .	2c	
d Other (Describe in Part XIV) . . . . .	2d	
e Add lines 2a through 2d . . . . .	2e	
3 Subtract line 2e from line 1 . . . . .	3	191,648,441
4 Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a	
b Other (Describe in Part XIV) . . . . .	4b	347,800
c Add lines 4a and 4b . . . . .	4c	347,800
5 Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12) . . . . .	5	191,996,241

**Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return**

1 Total expenses and losses per audited financial statements . . . . .	1	187,168,019
2 Amounts included on line 1 but not on Form 990, Part IX, line 25		
a Donated services and use of facilities . . . . .	2a	
b Prior year adjustments . . . . .	2b	
c Other losses . . . . .	2c	
d Other (Describe in Part XIV) . . . . .	2d	
e Add lines 2a through 2d . . . . .	2e	
3 Subtract line 2e from line 1 . . . . .	3	187,168,019
4 Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a	
b Other (Describe in Part XIV) . . . . .	4b	
c Add lines 4a and 4b . . . . .	4c	
5 Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18) . . . . .	5	187,168,019

**Part XIV Supplemental Information**

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
LIABILITY UNDER FIN 48 FOOTNOTE	SCHEDULE D, PAGE 3, PART X	THE SYSTEM, CH, SJH, HOME HEALTH, PAVILION AND INFIRMARY ARE GENERALLY EXEMPT FROM FEDERAL AND STATE INCOME TAXES UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE. ONLY NET INCOME FROM ACTIVITIES DESIGNATED AS UNRELATED TO THE EXEMPT PURPOSES OF CH, SJH, HOME HEALTH, PAVILION AND INFIRMARY ARE SUBJECT TO FEDERAL AND STATE UNRELATED BUSINESS INCOME TAX. GEECHEE IS ORGANIZED AS A SINGLE MEMBER LLC OWNED BY THE SYSTEM AND IS TREATED AS A DISREGARDED ENTITY FOR TAX PURPOSES. EFFECTIVE DECEMBER 15, 2009, THE SYSTEM ADOPTED ASC 740-10-50-15, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES. THESE RULES REQUIRE MANAGEMENT TO EVALUATE THE LIKELIHOOD THAT, UPON EXAMINATION BY THE RELEVANT TAXING JURISDICTIONS, THOSE INCOME TAX POSITIONS WOULD BE SUSTAINED. BASED ON THAT EVALUATION, THE SYSTEM ONLY RECOGNIZES THE MAXIMUM BENEFIT OF EACH INCOME TAX POSITION THAT IS MORE THAN 50% LIKELY OF BEING SUSTAINED. TO THE EXTENT THAT ALL OR A PORTION OF THE BENEFITS OF AN INCOME TAX POSITION ARE NOT RECOGNIZED, A LIABILITY WOULD BE RECOGNIZED FOR THE UNRECOGNIZED BENEFITS, ALONG WITH ANY INTEREST AND PENALTIES THAT WOULD RESULT FROM DISALLOWANCE OF THE POSITION. SHOULD ANY SUCH PENALTIES AND INTEREST BE INCURRED, THEY WOULD BE RECOGNIZED AS OPERATING EXPENSES. BASED ON THE RESULTS OF MANAGEMENT'S EVALUATION, NO LIABILITY IS RECOGNIZED IN THE ACCOMPANYING COMBINED BALANCE SHEETS FOR UNRECOGNIZED INCOME TAX POSITIONS. FURTHER, NO INTEREST OR PENALTIES HAVE BEEN ACCRUED OR CHARGED TO EXPENSE AS OF JUNE 30, 2011 AND 2010 OR FOR THE YEARS THEN ENDED. THE SYSTEM'S OPEN AUDIT PERIODS ARE FOR TAX YEARS ENDED 2008-2010. SJCV, SJCMG, PROPERTIES AND HEALTH SERVICES HAVE GENERALLY INCURRED OPERATING LOSSES FOR TAX PURPOSES AND HAVE NOT RECORDED A CURRENT OR DEFERRED TAX PROVISION DUE TO SIGNIFICANT NET OPERATING LOSS (NOL) CARRYFORWARDS WHICH WOULD BE UTILIZED TO OFFSET ANY POTENTIAL TAX LIABILITIES GENERATED FROM FUTURE TAXABLE INCOME. AT JUNE 30, 2011, NOL CARRYFORWARDS EXPIRING THROUGH 2026 AMOUNTED TO APPROXIMATELY 90,000,000 AND ARE AVAILABLE FOR THE OFFSET OF FUTURE TAXABLE INCOME. NAME ABBREVIATIONS ARE LISTED BELOW: SYSTEM - ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC. CH - CANDLER HOSPITAL, INC. SJH - ST JOSEPH'S HOSPITAL, INC. HOME HEALTH - SJC HOME HEALTH SERVICES, INC. PAVILION - CANCER CARE PAVILION, INC. INFIRMARY - GEORGIA INFIRMARY, INC. SJCV - SJC VENTURES, INC. SJCMG - SJC MEDICAL GROUP, INC. PROPERTIES - SJC PROPERTIES, INC. HEALTH SERVICES - SJC HEALTH SERVICES, INC.
RECONCILIATION OF CHANGES - OTHER	SCHEDULE D, PAGE 4, PART XI, LINE 8	CAPITAL CONTRIBUTIONS -347,800
REVENUE AMOUNTS INCLUDED ON RETURN - OTHER	SCHEDULE D, PAGE 4, PART XII, LINE 4B	CAPITAL CONTRIBUTIONS 347,800
SUPPLEMENTAL FINANCIAL INFORMATION	SCHEDULE D, PAGE 4, PART XIV	PART XI, XII, XIII - RECONCILIATIONS ARE COMPLETED USING THE COMBINING BALANCE SHEETS AND COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES) LOCATED IN THE AUDITED FINANCIAL STATEMENTS OF ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

2010

Open to Public  
InspectionSCHEDULE H  
(Form 990)Department of the Treasury  
Internal Revenue Service

## Hospitals

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.  
► Attach to Form 990. ► See separate instructions.

Name of the organization  
CANDLER HOSPITAL INC

Employer identification number

58-0593388

## Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .  
 b If "Yes," is it a written policy? . . . . .  
 2 If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  
 Applied uniformly to all hospitals       Applied uniformly to most hospitals  
 Generally tailored to individual hospitals  
 3 Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  
 a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care  
 100%     150%     200%     Other 2.50000 %  
 b Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care  
 200%     250%     300%     350%     400%     Other 5.00000 %  
 c If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care  
 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .  
 5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?  
 b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?  
 c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?  
 6a Does the organization prepare a community benefit report during the tax year?  
 6b If "Yes," did the organization make it available to the public?  
 Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

	Yes	No
1a	Yes	
1b	Yes	
3a	Yes	
3b	Yes	
4	Yes	
5a	Yes	
5b	Yes	
5c		No
6a	Yes	
6b	Yes	

## 7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			4,227,195		4,227,195	2 260 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			25,780,784	18,447,413	7,333,371	3 920 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			30,007,979	18,447,413	11,560,566	6 180 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4)			993,643		993,643	0 530 %
f Health professions education (from Worksheet 5)			28,546		28,546	0 020 %
g Subsidized health services (from Worksheet 6)			68,400		68,400	0 040 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			454,347		454,347	0 240 %
j Total Other Benefits			1,544,936		1,544,936	0 830 %
k Total. Add lines 7d and 7j			31,552,915	18,447,413	13,105,502	7 000 %

**Part II Community Building Activities** during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
<b>1</b> Physical improvements and housing			1,110		1,110	
<b>2</b> Economic development			1,160		1,160	
<b>3</b> Community support			31,949		31,949	0 020 %
<b>4</b> Environmental improvements						
<b>5</b> Leadership development and training for community members						
<b>6</b> Coalition building			31,949		31,949	0 020 %
<b>7</b> Community health improvement advocacy			31,949		31,949	0 020 %
<b>8</b> Workforce development			47,988		47,988	0 030 %
<b>9</b> Other			31,949		31,949	0 020 %
<b>10 Total</b>			178,054		178,054	0 100 %

**Part III Bad Debt, Medicare, & Collection Practices**

**Section A. Bad Debt Expense**

		Yes	No
<b>1</b> Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15? . . . . .	<b>1</b>	Yes	
<b>2</b> Enter the amount of the organization's bad debt expense (at cost) . . . . .	<b>2</b>	5,658,654	
<b>3</b> Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy . . . . .	<b>3</b>	687,776	
<b>4</b> Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit			

**Section B. Medicare**

<b>5</b> Enter total revenue received from Medicare (including DSH and IME) . . . . .	<b>5</b>	73,491,988	
<b>6</b> Enter Medicare allowable costs of care relating to payments on line 5 . . . . .	<b>6</b>	75,424,816	
<b>7</b> Subtract line 6 from line 5 This is the surplus or (shortfall) . . . . .	<b>7</b>	-1,932,828	
<b>8</b> Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used			

Cost accounting system

Cost to charge ratio

Other

**Section C. Collection Practices**

<b>9a</b> Does the organization have a written debt collection policy? . . . . .	<b>9a</b>	Yes	
<b>b</b> If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI . . . . .	<b>9b</b>	Yes	

**Part IV Management Companies and Joint Ventures**

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
<b>1</b> SAVANNAH GASTROENTER	GASTROENTEROLOGY SERVICES	25 000 %		50 000 %	
<b>2</b> SJCOIS OP IMAGING	O/P IMAGING SERVICES	25 000 %		50 000 %	
<b>3</b> SJCOIS METRO IMAGIN	O/P IMAGING SERVICES	25 000 %		50 000 %	
<b>4</b>					
<b>5</b>					
<b>6</b>					
<b>7</b>					
<b>8</b>					
<b>9</b>					
<b>10</b>					
<b>11</b>					
<b>12</b>					
<b>13</b>					

## Part V | Facility Information

## **Section A. Hospital Facilities**

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

**Part V Facility Information (continued)****Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 1

Name and address	Type of Facility (Describe)
1 CANDLER HOSPITAL SNF 5353 REYNOLDS STREET SAVANNAH, GA 31405	SKILLED NURSING FACILITY
2	
3	
4	
5	
6	
7	
8	
9	
10	

**Part VI Supplemental Information**

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
RELATED ORGANIZATION INFORMATION	PART I LINE 6A	THE HOSPITALS COMMUNITY BENEFIT REPORT IS REPORTED AS PART OF THE COMBINED ANNUAL REPORT PREPARED BY ST JOSEPHSCANDLER HEALTH SYSTEM INC

Identifier	ReturnReference	Explanation
SUBSIDIZED HEALTH SERVICES EXPLANATION	PART I LINE 7G	THIS SECTION INCLUDES MOBILE OUTREACH SERVICES WHICH PROVIDE FREE SCREENINGS IN THE COMMUNITY AS WELL AS OTHER SUBSIDIZED CARE IN HOME SERVICES ASSISTED LIVING AND THE SUPPLY OF DURABLE MEDICAL EQUIPMENT AND SUPPLIES

Identifier	ReturnReference	Explanation
COSTING METHODOLOGY EXPLANATION	PART I LINE 7	THE DATA REPORTED IN THIS AREA IS REPORTED AS INSTRUCTED BY CATHOLIC HEALTH ASSOCIATIONS A GUIDE FOR PLANNING AND REPORTING COMMUNITY BENEFITS 2008 SEE ALSO THE DESCRIPTION FOR PART III LINE 4

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	PART II	<p>ST JOSEPHSCANDLERS ST MARYS COMMUNITY CENTER BELIEVES THAT MANY ASPECTS OF LIFE CONTRIBUTE TO GOOD HEALTH A PERSONS PHYSICAL AND MENTAL HEALTH IS INFLUENCED BY THE ENVIRONMENT WHETHER POSITIVE OR FILLED WITH DISEASE SINCE WE ARE CONCERNED WITH THE WHOLE PERSON ST JOSEPHSCANDLER PROVIDES ASSISTANCE IN SPIRITUAL CARE HOUSING EDUCATION JOB TRAINING FOOD TRANSPORTATION AND ADVOCACY WITH EIGHT FULLTIME CHAPLAINS MORE THAN ANY OTHER HOSPITAL IN THE STATE OF GEORGIA ST JOSEPHSCANDLER PROVIDES PASTORAL CARE OUTREACH TO ANYONE SEEKING ASSISTANCE AS REPORTED IN THE COMMUNITY HEALTH IMPROVEMENT SERVICES SUCH UNREIMBURSED SERVICES PROVIDE NECESSARY SPIRITUAL SUPPORT FOR MANY UNDERSERVED CITIZENS WHO ARE WITHOUT A CHURCH HOME OR ACCESS TO A MINISTER OUR INHOUSE PASTORAL CARE SERVICES ALSO REDUCE THE BURDEN OF MINISTERS AND CHURCHES THROUGHOUT THE COMMUNITY THE ST JOSEPHSCANDLER AFRICAN AMERICAN HEALTH INFORMATION AND RESOURCE CENTER NOW 11 YEARS OLD PROVIDES FREE COMPUTER CLASSES AN INTERNET CENTER SUPPORT AND HEALTH INFORMATION AND EDUCATION IN AN ENVIRONMENT OF TRUST SAFE AFFORDABLE HOUSING IS ESSENTIAL TO GOOD HEALTH FOR FIFTEEN YEARS ST JOSEPHSCANDLER HAS BEEN A PARTNER WITH MERCY HOUSING WHICH BUILDS AND RENOVATES AFFORDABLE HOUSING ST JOSEPHSCANDLERS COWORKERS ALSO VOLUNTEER FOR REBUILDING TOGETHER AND HABITAT FOR HUMANITY FIXING LEAKING ROOFS MOLD LEAD PAINT DILAPIDATED FLOORING ALL CONTRIBUTE TO GOOD HEALTH ST JOSEPHSCANDLER SUPPORTS EDUCATION AS A MEANS TO A GOOD PAYING JOB THE SYSTEM FULLY FUNDS YEAR ROUND THE ST MARYS GED PROGRAM AND PROVIDES A PRESCHOOL PROGRAM AFTER SCHOOL PROGRAM AND SUMMER CAMP FOR YOUNG CHILDREN THE THREE AND FOUR YEAR OLDS SERVED ARE TWO YEARS BEHIND THEIR COUNTERPARTS IN LANGUAGE DEVELOPMENT SUCCESSFUL LANGUAGE DEVELOPMENT INFLUENCES SCHOOL SUCCESS AND ULTIMATELY A GOOD JOB</p>

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE EXPLANATION	PART III LINE 4	<p>COST IS DETERMINED USING THE HOSPITALS INTERNAL COST ACCOUNTING SYSTEM THIS SYSTEM ALLOCATES COSTS USING A STEP DOWN METHOD SIMILAR TO BUT MORE DETAILED THAN MEDICARES COST REPORTING METHODOLOGY OVERALL COST IS DEVELOPED AT THE CHARGE LEVEL BY PATIENT ACCOUNT AND THEN AGGREGATED TO CALCULATE COST TO CHARGE RATIOS BY PAYOR CATEGORY THE RATIOS ARE APPLIED TO THE CHARGES TO ARRIVE AT COST PAYMENTS ARE THEN SUBTRACTED FROM THESE COSTS TO DETERMINE LOSSES ON PARTICULAR PAYOR GROUPS THE COSTING METHODOLOGY USED FOR ST JOSEPHSCANDLERS COMMUNITY BENEFIT REPORT IS CONSISTENT FOR ANY PAYOR GROUPINGS CHARITY BAD DEBT MEDICAID MEDICARE EXCERPT FROM AUDITED FINANCIAL STATEMENTS ALLOWANCE FOR DOUBTFUL ACCOUNTS MANAGEMENT PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED ON AN EVALUATION OF THE OVERALL COLLECTIBILITY OF THE ACCOUNTS RECEIVABLE AS ACCOUNTS ARE KNOWN TO BE UNCOLLECTIBLE THEY ARE CHARGED AGAINST THE ALLOWANCE PART III LINE 3 REGARDING PORTION OF BAD DEBT LIKELY MEETING CHARITY CLASSIFICATION THE HOSPITAL USES A SCORING METHOD TO IDENTIFY PATIENTS WHO LIKELY QUALIFY UNDER THE HOSPITALS CHARITY POLICY BUT FAILED TO COMPLETE A CHARITY APPLICATION THIS SCORING WAS PERFORMED FOR PATIENTS WITH BALANCES DUE EXCEEDING 2500 IF THE CHARITY SCORE WAS SUCH THAT IT MEANT LIKELY QUALIFICATION AS CHARITY THE HOSPITAL DEEMED THE PATIENT MET CHARITY CRITERIA AND AS SUCH THE BALANCE WAS FORGIVEN AND RECORDED AS A CHARITY DEDUCTION IN THE HOSPITAL FINANCIAL STATEMENTS THESE ACCOUNTS WERE IDENTIFIED AS PRESUMPTIVE CHARITY DEDUCTIONS IN THE HOSPITAL PATIENT ACCOUNTING SYSTEM TO ANSWER SCHEDULE H PART III LINE 3 ON THE FORM 990 THE HOSPITAL IDENTIFIED UNPAID ACCOUNTS IN BAD DEBT WHICH EXCEEDED 2500 AS WELL AS PRESUMPTIVE CHARITY ACCOUNTS OVER 2500 AND CALCULATED THE RATIO OF PRESUMPTIVE CHARITY TO THE SUM OF PRESUMPTIVE CHARITY AND BAD DEBT OVER 2500 THIS RATIO WAS APPLIED AGAINST BAD DEBT BALANCES UNDER 2500 TO ARRIVE AT OUR ESTIMATE OF ACCOUNTS IN BAD DEBT WHICH WE ESTIMATE LIKELY QUALIFIED FOR CHARITY CONSIDERATION</p>

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES EXPLANATION	PART III LINE 9B	<p>PATIENT FINANCIAL COUNSELORS VISIT PATIENTS WHO HAVE NO INSURANCE LIMITED COVERAGE AND MEDICAID PATIENTS WITHOUT SUPPLEMENTAL INSURANCE TO DISCUSS ASSISTANCE AND REFER THOSE PATIENTS TO OUR MEDICAID ELIGIBILITY VENDOR WHO SCREEN THESE PATIENTS FOR MEDICAID AND OTHER FEDERAL STATE OR LOCAL PROGRAMS FOR ASSISTANCE CUSTOMER SERVICE AT THE HOSPITAL AND AT EXTENDED BUSINESS OFFICE WHICH DOES SELF PAY BILLING AND COLLECTION INFORM PATIENTS ABOUT OUR FINANCIAL ASSISTANCE PROGRAM AND ASSIST THEM IN MAKING AN APPLICATION BILLING STATEMENTS PROVIDE A MESSAGE AND TELEPHONE NUMBER TO CALL IF THE PATIENT HAS DIFFICULTY MAKING PAYMENT FOR PATIENTS WHO QUALIFY FOR CHARITY CARE AND FULL FINANCIAL ASSISTANCE THERE IS NO FINANCIAL OBLIGATION FOR THOSE WHO QUALIFY FOR PARTIAL FINANCIAL ASSISTANCE COLLECTION PROCEDURES FOLLOW THE SAME PROCESS AS ALL OTHER PATIENTS WHO ARE RESPONSIBLE FOR UNPAID BALANCES THOSE PATIENTS WHO HAVE NOT MADE PAYMENT ARRANGEMENTS FOR THEIR REMAINING BALANCES ARE SENT LETTERS WHEN THEY ARE PAST DUE 30 60 AND 90 DAYS IF PAYMENT ARRANGEMENTS ARE STILL NOT MADE AFTER 90 DAYS THEN THOSE ACCOUNTS ARE REFERRED TO COLLECTIONS BEFORE REFERRAL TO A COLLECTION AGENCY ANY ACCOUNT 2500 OR LARGER IS SCORED FOR ABILITY TO PAY USING PARO SOFTWARE AND IF THE PATIENT QUALIFIES FOR CHARITY CARE OR FULL FINANCIAL ASSISTANCE THE ACCOUNT IS WRITTEN OFF AS PRESUMPTIVE ELIGIBILITY AND NOT REFERRED TO THE AGENCY</p>

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI	<p>ST JOSEPHSCANDLER HEALTH SYSTEM CONTINUALLY CONDUCTS VARIOUS TYPES OF ASSESSMENTS TO DETERMINE THE COMMUNITYS NEEDS FOR HEALTH AND PERSONAL SUPPORT SERVICES OUR SYSTEM COLLABORATES WITH NUMEROUS NOTFORPROFIT AGENCIES AND PROGRAMS TO EXTEND AND STRENGTHEN OUR MISSION OUR PROGRAMS ARE SUCCESSFUL DUE IN LARGE PART BECAUSE OF THESE COLLABORATIONS SOME EXAMPLES INCLUDE THE CHATHAM COUNTY SAFETY NET CITY OF SAVANNAHS STEP UP POVERTY REDUCTION INITIATIVE ARMSTRONG ATLANTIC STATE UNIVERSITY SAVANNAH TECHNICAL COLLEGE SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY AND MANY MORE MANY OF OUR SYSTEM CO WORKERS ARE ALSO INVOLVED AT EVERY LEVEL OF THE COMMUNITY THROUGH THEIR WORK AS SYSTEM REPRESENTATIVES ON NOTFOR PROFIT BOARDS SUCH AS AMERICAN HEART ASSOCIATION THE UNITED WAY MERCY HOUSING SECOND HARVEST FOOD BANK WESLEY COMMUNITY CENTER AND SAFE SHELTER OF SAVANNAH ST JOSEPHSCANDLER ALSO SOLICIT INPUT ON COMMUNITY NEEDS FROM COMMUNITY LEADERS PROFESSIONALS AND MEMBERS WHO PARTICIPATE ON OUTREACH ADVISORY BOARDS SJCS AFRICAN AMERICAN HEALTH INFORMATION RESOURCE CENTER GOOD SAMARITAN CLINIC SMART SENIOR ST MARYS COMMUNITY CENTER AND ST MARYS HEALTH CENTER HAVE INDIVIDUAL ADVISORY BOARDS COMPRISED OF THOSE PERSONS WHO HAVE SPECIAL INTEREST SKILLS KNOWLEDGE AND ENTHUSIASM ABOUT THE PROGRAMS UNIQUE SERVICES PROGRAM FORUMS AT EACH OUTREACH SITE ALSO PROVIDE DIRECT FEEDBACK FROM THE CLIENTS WHO USE THEIR SERVICES THIS ENSURES EACH SITE CONTINUES TO PROVIDE A SERVICE THE COMMUNITY NEEDS AND BENEFITS FROM WITH OUR PARTNERS WE LISTEN TO OUR PATIENTS AND CLIENTS AS WELL AS ACCESS EXISTING NEEDS ASSESSMENTS AND STUDIES IN ORDER TO DETERMINE THE COMMUNITYS MOST PRESSING NEEDS ST JOSEPHSCANDLER USES FEDERAL INFORMATION AND REPORTS FROM AGENCIES SUCH AS THE US CENSUS BUREAU AND BUREAU OF LABOR STATISTICS AS WELL AS RESOURCES SUCH AS CLARITAS THAT PROVIDES A WIDE ARRAY OF DEMOGRAPHICS HOUSEHOLD INCOME AND SERVICES RETAIL OUTLETS ETC IN DEFINED ZIP CODES THIS INFORMATION COMBINED WITH OUR EXTENSIVE COLLABORATIONS AND OUR ROLE AS A LEADER IN THE COMMUNITY PROVIDES US THE MEANS TO UNDERSTAND AND ADDRESS THE COMMUNITYS NEEDS AND ENSURES OUR OUTREACH PROGRAMS ARE FOCUSED ON THE POPULATIONS WHO NEED OUR SERVICES THE MOST</p>

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI	<p>CUSTOMER SERVICE PERSONNEL AT THE HOSPITALS AND ST JOSEPHSCANDLERS EXTENDED BUSINESS OFFICE INFORM PATIENTS ABOUT OUR FINANCIAL ASSISTANCE PROGRAM AND ASSIST THEM IN MAKING AN APPLICATION FOR PATIENTS WHO HAVE NO INSURANCE LIMITED COVERAGE AND MEDICAID PATIENTS WITHOUT SUPPLEMENTAL INSURANCE PATIENT FINANCIAL COUNSELORS DISCUSS THE FINANCIAL ASSISTANCE AND VARIOUS GOVERNMENT BENEFITS WHICH MAY BE AVAILABLE TO THEM PATIENT FINANCIAL COUNSELORS ALSO REFER APPROPRIATE PATIENTS TO A MEDICAID ELIGIBILITY VENDOR WHO SCREENS THEM FOR MEDICAID AND OTHER FEDERAL STATE OR LOCAL PROGRAMS FOR ASSISTANCE ST JOSEPHSCANDLER POSTS FINANCIAL ASSISTANCE CONTACT INFORMATION ON ITS WEBSITE UPON ADMISSION TO THE HOSPITAL PATIENTS ARE PROVIDED THE GUIDE TO YOUR HOSPITAL BILL WHICH INFORMS THEM HOW TO UNDERSTAND THEIR BILL AS WELL AS A SUMMARY OF THE HOSPITALS FINANCIAL ASSISTANCE POLICY IN ADDITION THE BILLING STATEMENTS SENT TO PATIENTS PROVIDE A MESSAGE AND FINANCIAL ASSISTANCE CONTACT INFORMATION IN THE EVENT THE PATIENT HAS DIFFICULTY PAYING THE BALANCE DUE</p>

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI	<p>ST JOSEPHSCANDLER IS LOCATED IN SAVANNAH GA WHICH HAS A METROPOLITAN POPULATION BASE OF APPROXIMATELY 347000 WHILE THE 33 COUNTY 8 CLUSTER REGION IS COMPRISED OF 1162605 PEOPLE FROM THE TOTAL METROPOLITAN POPULATION THE PERSONS SERVED ARE DIVIDED INTO FOUR 4 CATEGORIES CAUCASIAN AFRICANAMERICAN HISPANIC AND OTHER OUR SERVICE AREA IN SAVANNAH SHOWS THAT 573 OF THE TOTAL POPULATION IS CAUCASIAN AND 335 IS AFRICANAMERICAN THE REMAINING 92 IS SPLIT ALMOST EVENLY BETWEEN THE REMAINING TWO CATEGORIES ALTHOUGH THE HISPANIC POPULATION HAS A MARGINAL LEAD SAVANNAH IS LOCATED IN CHATHAM COUNTY GA CHATHAM COUNTYS DEMOGRAPHIC PROFILE AS DESCRIBED IN THE 2010 US CENSUS REPORT REFLECTS THAT OF THE 265128 PEOPLE POPULATION 129 OF THEM HAVE LESS THAN A HIGH SCHOOL DIPLOMA THIS STATISTIC DIRECTLY UNDERSCORES THE STATISTICS REFLECTING THE PERCENTAGE OF CHATHAM COUNTY POPULATION LIVING IN POVERTY 163 A 7 INCREASE FROM LAST YEAR OTHER SOCIAL FACTORS AFFECTING SAVANNAH INCLUDE ACCESS TO HEALTHCARE POOR NUTRITION POORE EDUCATION AND THE LACK OF AFFORDABLE HOUSING IN CHATHAM COUNTY THE TOP THREE 3 CAUSES OF DEATH FOR THE TOTAL POPULATION ACCORDING TO THE CHATHAM AND EFFINGHAM COUNTY HEALTH DEPARTMENTS ARE 1 HEART DISEASE 2 CANCER AND 3 STROKE</p>

Identifier	ReturnReference	Explanation
HEALTH OF COMMUNITY IN RELATION TO EXEMPT PURPOSE	PART VI	<p>ALL OF ST JOSEPHSCANDLERS HEALTHCARE FACILITIES INCLUDING ITS HOSPITALS FURTHER THEIR EXEMPT PURPOSES BY PROMOTING THE HEALTH IN OUR COMMUNITY IN A VARIETY OF WAYS AS WELL AS THOSE ALREADY DESCRIBED IN SCHEDULE H AND ST JOSEPHSCANDLERS COMMUNITY BENEFIT REPORT THE GOVERNING BODIES OF ALL OF OUR ORGANIZATIONS ARE PRIMARILY COMPRISED OF PERSONS WHO ARE NOT EMPLOYEES CONTRACTORS NOR FAMILY MEMBERS THEREOF AND WHO RESIDE IN ST JOSEPHSCANDLERS PRIMARY SERVICE AREA THE HOSPITALS MEDICAL STAFFS ARE OPEN TO ALL QUALIFIED PHYSICIANS IN THE REGION FOR THOSE PHYSICIANS IN THE REGION WHO DO NOT HAVE PRIVILEGES ST JOSEPHSCANDLER PROVIDES A PROCESS FOR ADMITTING PATIENTS VIA THE HOSPITALISTS OR THROUGH OTHER PHYSICIANS FUNDS RECEIVED FROM THE OPERATIONS OF ST JOSEPHSCANDLERS HOSPITALS AND FACILITIES AFTER OPERATING EXPENSES ARE USED TO SUPPORT VARIOUS OUTREACH EFFORTS DESCRIBED IN SCHEDULE H AND THE COMMUNITY BENEFIT REPORT TO FURTHER IMPROVEMENT IN PATIENT CARE BY PROVIDING MEDICAL EDUCATION TO PATIENTS AND THE COMMUNITY CONDUCTING RESEARCH AND IMPLEMENTING TECHNOLOGY THAT NOT ONLY PROVIDES THE LATEST IN TREATMENT BUT ALLOWS PATIENTS TO RECEIVE HIGH QUALITY CARE IN THEIR OWN COMMUNITY AND ALLOWS US TO CONTINUALLY IMPROVE PATIENT SAFETY BY IMPLEMENTING TECHNOLOGY THAT PREVENTS MEDICATION ERRORS ETC IN ORDER TO SPECIFICALLY ASSIST LOW INCOME ELDERLY AND DISABLED CITIZENS TO REMAIN IN THEIR OWN HOMES AND AVOID INSTITUTIONAL NURSING HOME CARE THESE NEEDS HAVE BEEN MET BY THE GEORGIA INFIRMARY IN TWO WAYS 1 PROVIDING DIRECT SERVICE AND 2 ADVOCATING AT STATE AND NATIONAL LEVELS FOR PROGRAMS THAT WILL SERVE THE NEEDS OF THESE CITIZENS GEORGIA INFIRMARY PROVIDES SERVICES TO SUCH PERSONS THROUGH AN ADULT DAY CARE CENTER SINCE 1974 GEORGIA INFIRMARYS HOUSING MANAGEMENT SERVICES OPERATES SUBSIDIZED HOUSING FOR ELDERLY AND DISABLED PERSONS TO RECOGNIZE THAT COMMUNITYBASED HEALTH ONLY WORKS IF BENEFICIARIES HAVE SAFE AFFORDABLE HOMES GEORGIA INFIRMARYS NATIONALLY RECOGNIZED SOURCE PROGRAM FOR CASE MANAGEMENT AND PRIMARY CARE PHYSICIAN SERVICES FOR ELDERLY AND DISABLED PERSONS WAS A RESPONSE TO NEEDS DISCOVERED IN HOUSING AND DAY SERVICES CLIENTS FOR COORDINATED MEDICAL CARE AND ACCOUNTABLE PERSONAL SUPPORT SERVICES IT IS A COLLABORATIVE EFFORT OF APPROXIMATELY 80 PHYSICIANS ACROSS 16 SOUTHEAST GEORGIA COUNTIES</p>

Identifier	ReturnReference	Explanation
LIST OF STATES WHERE COMMUNITY BENEFIT REPORT IS FILED	PART VI	GEOORGIA

Identifier	ReturnReference	Explanation
CANDLER HOSPITAL INC LINE NUMBER 1 PART V LINE 13G	PART V LINE 13G	THE HOSPITAL ALSO PUBLICIZES FINANCIAL ASSISTANCE WITH A SIGN IN THE EMERGENCY DEPARTMENT REGISTRATION AREAS THE SIGN DIRECTS THE PATIENT TO CONTACT A FINANCIAL COUNSELOR WHO WILL MEET WITH THE PATIENT ONEONONE TO OUTLINE THE FINANCIAL ASSISTANCE POLICY PROVIDE THE APPLICATION EXPLAIN WHAT DOCUMENTS ARE NEEDED TO COMPLETE THE ONE PAGE FRONTBACK APPLICATION AND ANSWER ANY QUESTIONS THE PATIENT MAY HAVE

Identifier	ReturnReference	Explanation
CANDLER HOSPITAL INC LINE NUMBER 1 PART V LINE 17E	PART V LINE 17E	<p>CANDLER HOSPITAL RECOGNIZES THAT AS A BENEFIT TO THE COMMUNITIES THAT THEY SERVE THAT SOME PATIENTS ARE UNABLE TO OR UNWILLING TO ASK FOR FINANCIAL ASSISTANCE DUE TO BARRIERS TO APPLYING FOR ASSISTANCE SUCH AS EDUCATIONAL LEVEL AND LITERACY DOCUMENTATION LIMITATIONS FEAR OF APPLICATION PROCESSES AND GENERAL APATHY CANDLER IS WILLING TO EXTEND BENEFIT TO THOSE PATIENTS THAT FACE THESE BARRIERS BASED ON THE BEST INFORMATION THAT CAN BE GATHERED ABOUT THE GUARANTOR CANDLER INTENDS TO PROCESS PATIENT ACCOUNTS FOR PRESUMPTIVE CHARITY SCORING AT THE COMPLETION OF THE REVENUE CYCLE AND AFTER ELIGIBILITY EFFORTS FOR ALTERNATIVE FUNDING OR PUBLIC ASSISTANCE HAVE BEEN EXHAUSTED THE PARO MODEL UTILIZES PUBLIC RECORD DATA AND RETURNS INFORMATION THAT IS UTILIZED TO DETERMINE CHARACTERISTICS FOR THE CONSUMER PARO IS DESIGNED TO IDENTIFY PATIENTS LIKELY TO QUALIFY FOR FINANCIAL ASSISTANCE BASED ON A PREDICTIVE MODEL AND OTHER FINANCIAL AND ASSET ESTIMATES FOR THE PATIENT DERIVED FROM PUBLIC RECORD SOURCES IN THE ABSENCE OF ADDITIONAL INFORMATION FROM THE PATIENT THIS RULE SET IS APPLIED TO ALL PATIENTS EXITING THE REVENUE CYCLE TO DETERMINE WHICH PATIENTS WOULD HAVE LIKELY QUALIFIED FOR FINANCIAL ASSISTANCE</p>

**Schedule J**  
(Form 990)**Compensation Information**

OMB No 1545-0047

**2010**Department of the Treasury  
Internal Revenue Service

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees  
**► Complete if the organization answered "Yes" to Form 990, Part IV, question 23.**  
**► Attach to Form 990. ► See separate instructions.**

**Open to Public Inspection****Name of the organization**  
CANDLER HOSPITAL INC**Employer identification number**

58-0593388

**Part I Questions Regarding Compensation**

**1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items

<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence
<input type="checkbox"/> Tax indemnification and gross-up payments	<input checked="" type="checkbox"/> Health or social club dues or initiation fees
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)

**b** If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain

**2** Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

**3** Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply

<input checked="" type="checkbox"/> Compensation committee	<input checked="" type="checkbox"/> Written employment contract
<input checked="" type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study
<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee

**4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

**a** Receive a severance payment or change-of-control payment from the organization or a related organization?

**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?

**c** Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

**Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.**

**5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

**a** The organization?

**b** Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

**6** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of

**a** The organization?

**b** Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

**7** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

**8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
<b>1b</b>	Yes	
<b>2</b>	Yes	
<b>4a</b>		No
<b>4b</b>	Yes	
<b>4c</b>		No
<b>5a</b>		No
<b>5b</b>		No
<b>6a</b>		No
<b>6b</b>		No
<b>7</b>	Yes	
<b>8</b>		No
<b>9</b>		

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

**Note.** The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) PAUL P HINCHEY	(i) 288,361 (ii) 300,131	86,974 90,523	6,155 6,407	225,000	18,673 19,436	400,163 641,497	
(2) GREGORY J SCHAACK	(i) 161,974 (ii) 168,586	40,766 42,429	5,017 5,222	8,085 8,415	13,833 14,398	229,675 239,050	
(3) GREGORY A HARB	(i) 141,720 (ii) 147,504	36,138 37,614	9,452 9,837	8,085 8,415	11,062 11,513	206,457 214,883	
(4) SHERRY A DANELLO	(i) 122,158 (ii) 127,144	24,493 25,493	13,495 14,045	8,085 8,415	20,206 21,031	188,437 196,128	
(5) JAMES I SCOTT MD	(i) 117,435 (ii) 122,228	18,170 18,911		8,085 8,415	11,597 12,071	155,287 161,625	
(6) DONALD H STUBBS	(i) 108,225 (ii) 112,643	17,856 18,585		8,085 8,415	14,697 15,297	148,863 154,940	
(7) VIVIAN M AUSTIN	(i) 98,872 (ii) 102,908	24,141 25,126		8,085 8,415	9,882 10,285	140,980 146,734	
(8) WILLIAM M CARR	(i) 96,983 (ii) 100,941	18,866 19,637	5,654 5,885	6,225 6,480	7,496 7,802	135,224 140,745	
(9) PETER M SCHENK	(i) 100,980 (ii) 105,102	20,089 20,909		8,085 8,415	19,024 19,801	148,178 154,227	
(10) GEORGE H EVANS	(i) 92,789 (ii) 96,576	18,871 19,642		5,740 5,975	9,225 9,601	126,625 131,794	
(11) TARRY M HODGES	(i) 151,929 (ii)	1,500	10,770		11,252	175,451	
(12) LILIA D CRUZ	(i) 146,975 (ii)	4,974	8,941		28,570	189,460	
(13) MELISSA H ALLEN	(i) 142,645 (ii)	1,500	11,000		13,928	169,073	
(14) JOSEPH L LOYA	(i) 133,510 (ii)	6,900	7,405		19,075	166,890	
(15) PAUL E CARPENTER	(i) 134,301 (ii)	525	10,554		22,719	168,099	
(16)							

**Part III Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information

Identifier	Return Reference	Explanation
FRINGE OR EXPENSE EXPLANATION	SCHEDULE J, PAGE 1, PART I, LINE 1A	CEO RECEIVES THE BENEFIT AND THE AMOUNT IS INCLUDED IN THE CEO'S TAXABLE INCOME
SEVERANCE, NONQUALIFIED, AND EQUITY-BASED PAYMENTS	SCHEDULE J, PAGE 1, PART I, LINE 4	PAUL P HINCHEY 0 225,000 0 GREGORY J SCHAACK 0 16,500 0 GREGORY A HARB 0 16,500 0 SHERRY A DANELLO 0 16,500 0 JAMES I SCOTT, M D 0 16,500 0 DONALD H STUBBS 0 16,500 0 VIVIAN M AUSTIN 0 16,500 0 WILLIAM M CARR 0 12,705 0 PETER M SCHENK 0 16,500 0 GEORGE H EVANS 0 11,715 0
NON-FIXED PAYMENTS PROVIDED	SCHEDULE J, PAGE 1, PART I, LINE 7	THE CEO RECOMMENDED DISCRETIONARY BONUSES FOR CERTAIN KEY EMPLOYEES BASED ON A PERCENTAGE OF THEIR BASE COMPENSATION AND RECEIVED APPROVAL FROM THE COMPENSATION COMMITTEE OF THE BOARD OF TRUSTEES
OTHER ADDITIONAL INFORMATION	SCHEDULE J, PART III	PART I, LINE 4(B) - SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN "SERP" THE SYSTEM MAINTAINS AN UNFUNDED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("SERP"), WHICH PROVIDES RETIREMENT BENEFITS TO CERTAIN OFFICERS AND SELECT EMPLOYEES. THIS PLAN IS NON-QUALIFIED AND DOES NOT HAVE A MINIMUM FUNDING REQUIREMENT. THE LIABILITY FOR THIS SERP OBLIGATION IS INCLUDED AS DEFERRED COMPENSATION PAYABLE AND THE ASSETS SET ASIDE AS A RESERVE FOR THIS LIABILITY ARE INCLUDED IN BOARD DESIGNATED ASSETS LIMITED AS TO USE

Schedule K  
(Form 990)

OMB No 1545-0047

## Supplemental Information on Tax Exempt Bonds

2010

► Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).

► Attach to Form 990. ► See separate instructions.

Open to Public  
InspectionDepartment of the Treasury  
Internal Revenue ServiceName of the organization  
CANDLER HOSPITAL INCEmployer identification number  
58-0593388

## Part I Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A HOSPITAL AUTHORITY OF SAVANNAH	58-1792535	NONENONEN	12-30-2010	18,252,500	REFUND PRIOR ISSUE		X		X		X

## Part II Proceeds

1	Amount of bonds retired	A		B		C		D			
		Yes	No	Yes	No	Yes	No	Yes	No		
2	Amount of bonds legally defeased										
3	Total proceeds of issue		18,252,500								
4	Gross proceeds in reserve funds										
5	Capitalized interest from proceeds										
6	Proceeds in refunding escrow										
7	Issuance costs from proceeds										
8	Credit enhancement from proceeds										
9	Working capital expenditures from proceeds										
10	Capital expenditures from proceeds										
11	Other spent proceeds		18,252,500								
12	Other unspent proceeds										
13	Year of substantial completion	2010		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X									
15	Were the bonds issued as part of an advance refunding issue?			X							
16	Has the final allocation of proceeds been made?	X									
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X									

## Part III Private Business Use

1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?	A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
			X						
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X						

**Part III Private Business Use (Continued)**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
		X						
<b>3a</b> Are there any management or service contracts that may result in private business use?		X						
<b>b</b> Are there any research agreements that may result in private business use of bond-financed property?		X						
<b>c</b> Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?	X							
<b>4</b> Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ►								
<b>5</b> Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ►								
<b>6</b> Total of lines 4 and 5								
<b>7</b> Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

**Part IV Arbitrage**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
		X						
<b>1</b> Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
<b>2</b> Is the bond issue a variable rate issue?	X							
<b>3a</b> Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
<b>b</b> Name of provider								
<b>c</b> Term of hedge								
<b>d</b> Was the hedge superintegrated?								
<b>e</b> Was a hedge terminated?								
<b>4a</b> Were gross proceeds invested in a GIC?		X						
<b>b</b> Name of provider								
<b>c</b> Term of GIC								
<b>d</b> Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
<b>5</b> Were any gross proceeds invested beyond an available temporary period?		X						
<b>6</b> Did the bond issue qualify for an exception to rebate?		X						

**Part V Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation

**SCHEDULE O**  
(Form 990 or 990-EZ)Department of the Treasury  
Internal Revenue Service**Supplemental Information to Form 990 or 990-EZ**

Complete to provide information for responses to specific questions on  
Form 990 or to provide any additional information.  
► Attach to Form 990 or 990-EZ.

**2010****Open to Public  
Inspection****Name of the organization**

CANDLER HOSPITAL INC

**Employer identification number**

58-0593388

Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION	FORM 990 - ORGANIZATION'S MISSION	ROOTED IN GOD'S LOVE, WE TREAT ILLNESS AND PROMOTE WELLNESS FOR ALL PEOPLE CANDLER HOSPITAL, INC PROVIDES COMPREHENSIVE HEALTHCARE SERVICES TO THE SURROUNDING COUNTIES THROUGH THE OPERATION OF A 331-BED ACUTE CARE HOSPITAL IN SAVANNAH, GA

Identifier	Return Reference	Explanation
EXPLANATION ON VOLUNTEERS AND TYPES OF SERVICES OR BENEFITS	FORM 990, PAGE 1, PART I, LINE 6	ACTIVE VOLUNTEERS 124 APPROXIMATE HOURS (FOR 12 MONTHS) 27,700 VOLUNTEERS SIGN IN EACH TIME THEY VOLUNTEER AND THESE HOURS ARE TOTLED SERVICES PROVIDED BY VOLUNTEERS -INFORMATION DESKS GREET & PROVIDE INFORMATION TO VISITORS AND GIVE PATIENT ROOM INFORMATION -COURTESY CAR PROVIDE RIDES TO AND FROM HOSPITALS BUILDINGS TO VISITOR'S CARS -PATIENT FAMILY ROOMS CONTACT PERSONS IN WAITING ROOMS - DELIVER PATIENT MAIL AND FLOWERS -OPERATE GIFT SHOPS -PATIENT VISITATION PATIENTS ARE VISITED AND GIVEN A WELCOME PACKET WITH PAPER, PENCIL AND INFORMATION SHEET COVERING HOSPITAL SERVICES -SECURITY MONITOR HOSPITAL CAMERAS AND TAKE CALLS FOR SECURITY (RELAYS TO HOSPITAL STAFF) -PATIENT FLOORS ASSIST STAFF WITH NON CLINICAL CHORES - OFFICE VOLUNTEER ASSIST VOLUNTEER OFFICE STAFF AS NEEDED

Identifier	Return Reference	Explanation
FIRST ACHIEVEMENT DESCRIPTION	FORM 990, PAGE 2, PART III, LINE 4A	AND CONTRACTS DURING FYE JUNE 30, 2011, THE HOSPITAL SERVED PATIENTS FOR A TOTAL OF 68,202 PATIENT DAYS AND 14,957 DISCHARGES EMERGENCY ROOM VISITS TOTALED 48,699 THE HOSPITAL ALSO PROVIDED SERVICES FOR 323,806 OUTPATIENT VISITS

Identifier	Return Reference	Explanation
ELECTION OF MEMBERS AND THEIR RIGHTS	FORM 990, PAGE 6, PART VI, LINE 7A	THE SOUTH CENTRAL LEADERSHIP TEAM OF THE SISTERS OF MERCY OF THE AMERICAS, INC (SMA) IS THE ORIGINAL SPONSOR OF ST. JOSEPH'S HOSPITAL AND IS THE SOLE MEMBER OF ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC (SYSTEM) BOTH ST. JOSEPH'S HOSPITAL AND SYSTEM HAVE A BROTHER/SISTER RELATIONSHIP TO THE FILING ORGANIZATION. THE SMA HAS CERTAIN LIMITED RIGHTS SUCH AS APPOINTMENT OF THREE TRUSTEES TO THE SYSTEM BOARD

Identifier	Return Reference	Explanation
DECISIONS SUBJECT TO APPROVAL OF MEMBERS	FORM 990, PAGE 6, PART VI, LINE 7B	<p>SISTERS OF MERCY OF THE AMERICAS, INC (SMA) IS THE ORIGINAL SPONSOR OF ST JOSEPH'S HOSPITAL AND IS THE SOLE MEMBER OF ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC (SYSTEM) BOTH ST JOSEPH'S HOSPITAL AND SYSTEM HAVE A BROTHER/SISTER RELATIONSHIP TO THE FILING ORGANIZATION THE SMA HAS CERTAIN LIMITED RIGHTS SUCH AS APPOINTMENT OF THREE TRUSTEES TO THE SYSTEM BOARD THE SMA ALSO HAS SPECIFIC RESERVED POWERS WHICH REQUIRE THAT CERTAIN ACTIONS TAKEN BY THE SYSTEM BOARD OF TRUSTEES, OR BOARD OF DIRECTORS OF ANY OTHER SYSTEM ENTITY, ARE EFFECTIVE ONLY IF FIRST APPROVED BY SMA THESE ACTIONS INCLUDE 1 ADOPTION, AMENDMENT OR CHANGE OF THE PHILOSOPHY, PURPOSE, MISSION, VALUES STATEMENT OR NAME OF SYSTEM OR ST JOSEPH'S HOSPITAL (SJH) 2 AMENDMENT OR RESTATEMENT OF THE ARTICLES OF INCORPORATION OR ANY OF THE GOVERNANCE DOCUMENTS OF ANY SYSTEM ENTITIES THAT DIMINISHES OR ALTERS ANY SMA RESERVED POWER 3 AMENDMENT OR RESTATEMENT OF THE ARTICLES OF INCORPORATION OR BY LAWS OF SJH 4 APPOINTMENT OF THE SYSTEM CEO, BEGINNING WITH THE FIRST SUCCESSOR TO THE INITIAL SYSTEM CEO 5 DISSOLUTION, MERGER, CONSOLIDATION OR SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF SYSTEM OR SJH 6 SALE OR OTHER DISPOSITION OF REAL PROPERTY OF SJH IF THE FMV OF THE PROPERTY AT THAT TIME EXCEEDS THE THRESHOLD ESTABLISHED BY ROMAN CATHOLIC CHURCH LAW FOR PROPERTY TRANSACTIONS 7 INCURRENCE OF ANY DEBT (INCLUDING LEASES OF REAL PROPERTY) BY SJH IN AN AMOUNT IN EXCESS OF THE THEN EXISTING THRESHOLD REQUIRING APPROVAL BY THE APPLICABLE AGENCY OF THE ROMAN CATHOLIC CHURCH 8 ADDITION OF ANY NEW SERVICE AT ANY SYSTEM ENTITY OR DELETION OF ANY EXISTING SERVICE AT ANY SYSTEM ENTITY IF SUCH ADDITION OR DELETION WOULD BE INCONSISTENT WITH THE ETHICAL AND RELIGIOUS DIRECTIVES FOR CATHOLIC HEALTH CARE SERVICES AS APPROVED BY THE NATIONAL CONFERENCE OF CATHOLIC BISHOPS 9 TAKING ANY ACTION THAT RESULTS IN ST JOSEPH'S HOSPITAL FAILING TO CONTINUE TO OPERATE AS AN ACUTE CARE HOSPITAL</p>

Identifier	Return Reference	Explanation
ORGANIZATION'S PROCESS USED TO REVIEW FORM 990	FORM 990, PAGE 6, PART VI, LINE 11B	A COPY OF THE FORM 990 IS PROVIDED TO THE FINANCE COMMITTEE OF THE BOARD OF TRUSTEES AND MADE AVAILABLE TO THE FULL BOARD FOR REVIEW PRIOR TO FILING. THE ORGANIZATION'S MANAGEMENT TEAM PERFORMS A COMPLETE DETAILED REVIEW OF ALL FINANCIAL AND NON FINANCIAL DISCLOSURE DATA PRIOR TO FILING THE RETURN WITH THE IRS

Identifier	Return Reference	Explanation
ENFORCEMENT OF CONFLICTS POLICY	FORM 990, PAGE 6, PART VI, LINE 12C	AT LEAST ANNUALLY, AND AS DEEMED NECESSARY, THE CONFLICT OF INTEREST POLICY IS REVIEWED TO DETERMINE IF ANY CHANGES OR ENHANCEMENTS ARE NEEDED THE ANNUAL DISCLOSURES ARE PROVIDED TO THE PRESIDENT'S ASSISTANT AND ARE REVIEWED BY THE ORGANIZATION'S CORPORATE COMPLIANCE OFFICER IF ANY CONFLICTING INTEREST IS IDENTIFIED, THE BOARD CHAIRMAN WILL DISCUSS WITH THE BOARD TO DETERMINE FURTHER ACTIONS NEEDED THE BOARD CHAIRMAN MAY ASK THE INTERESTED PERSON TO LEAVE THE MEETING DURING DISCUSSION OF THE MATTER THAT GIVES RISE TO THE POTENTIAL CONFLICT IF ASKED, THE INTERESTED PERSON SHALL LEAVE THE MEETING, BUT MAY MAKE A STATEMENT OR ANSWER ANY QUESTIONS ON THE MATTER BEFORE LEAVING THE INTERESTED PERSON WILL NOT VOTE ON THE MATTER THAT GIVES RISE TO THE POTENTIAL CONFLICT AND THE BOARD OR BOARD COMMITTEE MUST APPROVE THE TRANSACTION OR ARRANGEMENT BY MAJORITY VOTE OF THE BOARD MEMBERS PRESENT AT A MEETING THAT HAS A QUORUM, NOT INCLUDING THE VOTE OF THE INTERESTED PERSON

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR TOP OFFICIAL	FORM 990, PAGE 6, PART VI, LINE 15A	AN INDEPENDENT COMPANY ANNUALLY EVALUATES THE COMPENSATION OF THE CEO USING COMPARABILITY DATA OBTAINED THROUGH COMPENSATION SURVEYS/STUDIES. THEIR RECOMMENDATIONS ARE CONSIDERED BY A COMPENSATION COMMITTEE COMPRISED OF INDEPENDENT VOTING MEMBERS OF THE BOARD AND THE FINAL COMPENSATION PACKAGE REQUIRES FULL APPROVAL BY THE BOARD. THE ACTIONS, MOTIONS, CONSIDERATIONS, MEMBERS PRESENT AND DISSENTING OPINIONS ARE RECORDED IN THE BOARD MINUTES

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR OFFICERS	FORM 990, PAGE 6, PART VI, LINE 15B	AN INDEPENDENT COMPANY ANNUALLY EVALUATES THE COMPENSATION OF THE CFO AND OTHER OFFICERS USING COMPARABILITY DATA OBTAINED THROUGH COMPENSATION SURVEYS/STUDIES THEIR RECOMMENDATIONS ARE CONSIDERED BY A COMPENSATION COMMITTEE COMPRISED OF INDEPENDENT VOTING MEMBERS OF THE BOARD AND THE FINAL COMPENSATION PACKAGE REQUIRES FULL APPROVAL BY THE BOARD THE ACTIONS, MOTIONS, CONSIDERATIONS, MEMBERS PRESENT AND DISSENTING OPINIONS ARE RECORDED IN THE BOARD MINUTES

<b>Identifier</b>	<b>Return Reference</b>	<b>Explanation</b>
GOVERNING DOCUMENTS DISCLOSURE EXPLANATION	FORM 990, PAGE 6, PART VI, LINE 19	CERTAIN ORGANIZATIONAL POLICIES, INCLUDING THE CONFLICT OF INTEREST POLICY, ARE LOCATED ON THE ST. JOSEPH'S/CANDLER WEBSITE CONSOLIDATED FINANCIAL STATEMENTS ARE AVAILABLE THROUGH THE ANNUAL BOND DISCLOSURE REPORT POSTED TO A PUBLIC WEBSITE GOVERNING DOCUMENTS ARE CURRENTLY NOT PUBLICLY AVAILABLE

Identifier	Return Reference	Explanation
RELATED ORGANIZATIONS	FORM 990, PAGE 7, PART VII	HOURS DEVOTED TO RELATED ORGANIZATIONS FROM INDIVIDUALS LISTED ON PART VII, SECTION A PAUL P HINCHEY - 26 HOURS ROBERT H DEMERE, JR - 4 HOURS WILLIAM E JOHNSTON - 4 HOURS SR HELEN AMOS, RSM - 4 HOURS JAMES BASS - 4 HOURS FRANK BROWN - 4 HOURS DAVID V CAPALLO, M D - 4 HOURS ROBERT E JAMES - 4 HOURS EMILY KEHOE - 4 HOURS WALTER N LEWIS - 4 HOURS SALLY LUFBORROW - 4 HOURS J CLIFF MCCURRY - 6 HOURS SR MARY KAREN MCNALLY, RSM - 4 HOURS JAMES ALLEN MEADOWS, III, M D - 4 HOURS HENRY MINIS - 4 HOURS O GEORGE NEGREA, M D - 4 HOURS JOHN W ODOM, M D - 4 HOURS REGINALD ROBINSON, M D - 4 HOURS SR MARY JUDE WALSH, RSM - 4 HOURS GREGORY J SCHAACK - 26 HOURS SHERRY A DANIELLO - 21 HOURS JAMES I SCOTT, M D - 21 HOURS VIVIAN AUSTIN - 21 HOURS WILLIAM M CARR - 21 HOURS PETER M SCHENK - 22 HOURS GEORGE EVANS - 21 HOURS GREGORY A HARB - 21 HOURS DONALD H STUBBS - 21 HOURS

<b>Identifier</b>	<b>Return Reference</b>	<b>Explanation</b>
OTHER CHANGES IN NET ASSETS EXPLANATION	FORM 990, PART XI, LINE 5	TRANSFER OF EQUITY 12,937,829 BENEFICIAL INTEREST IN FOUNDATION 158,672

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**SCHEDULE R**  
**(Form 990)**

## Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2010

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

---

**Name of the organization**  
CANDLER HOSPITAL INC

**Employer identification number**

58-0593388

**Part I Identification of Disregarded Entities** (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

**Part II Identification of Related Tax-Exempt Organizations** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) ST JOSEPH'SCANDLER HEALTH SYSTEM 5353 REYNOLDS STREET SAVANNAH, GA 31405 58-2288758	MGMT	GA	501C 3	11A	NA		No
(2) ST JOSEPH'S HOSPITAL INC 11705 MERCY BLVD SAVANNAH, GA 31419 58-0568702	ACUTE CARE	GA	501C 3	3	NA		No
(3) SJC HOME HEALTH SERVICES INC 5353 REYNOLDS STREET SAVANNAH, GA 31405 58-1329042	HOME HLTH	GA	501C 3	9	NA		No
(4) GEORGIA INFIRMARY INC 1900 ABERCORN STREET SAVANNAH, GA 31401 58-0668614	CLINIC	GA	501C 3	9	NA		No
(5) CANCER CARE PAVILION INC 5353 REYNOLDS STREET SAVANNAH, GA 31405 11-3705418	ONCOLOGY	GA	501C 3	11A	NA		No
(6) CANDLER FOUNDATION INC 5353 REYNOLDS STREET SAVANNAH, GA 31405 58-1553254	FOUNDATION	GA	501C 3	11	NA		No

**Part III Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

**Part IV Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

<b>(a)</b> Name, address, and EIN of related organization	<b>(b)</b> Primary activity	<b>(c)</b> Legal domicile (state or foreign country)	<b>(d)</b> Direct controlling entity	<b>(e)</b> Type of entity (C corp, S corp, or trust)	<b>(f)</b> Share of total income	<b>(g)</b> Share of end-of-year assets	<b>(h)</b> Percentage ownership
<b>(1)</b> SJC MEDICAL GROUP INC 5353 REYNOLDS STREET SAVANNAH, GA31405	PHYSICIANS	GA	N/A				
<b>(2)</b> SJC VENTURES INC 5353 REYNOLDS STREET SAVANNAH, GA31405	HEALTHCARE	GA	N/A				
<b>(3)</b> SJC PROPERTIES INC 5353 REYNOLDS STREET SAVANNAH, GA31405	PROPERTY	GA	N/A				
<b>(4)</b> SJC HEALTH SERVICES INC 5353 REYNOLDS STREET SAVANNAH, GA31405	HEALTHCARE	GA	N/A				

**Part V Transactions With Related Organizations** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)**Note.** Complete line 1 if any entity is listed in Parts II, III or IV**1** During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

- a** Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity
- b** Gift, grant, or capital contribution to other organization(s)
- c** Gift, grant, or capital contribution from other organization(s)
- d** Loans or loan guarantees to or for other organization(s)
- e** Loans or loan guarantees by other organization(s)
- f** Sale of assets to other organization(s)
- g** Purchase of assets from other organization(s)
- h** Exchange of assets
- i** Lease of facilities, equipment, or other assets to other organization(s)
- j** Lease of facilities, equipment, or other assets from other organization(s)
- k** Performance of services or membership or fundraising solicitations for other organization(s)
- l** Performance of services or membership or fundraising solicitations by other organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets
- n** Sharing of paid employees
- o** Reimbursement paid to other organization for expenses
- p** Reimbursement paid by other organization for expenses
- q** Other transfer of cash or property to other organization(s)
- r** Other transfer of cash or property from other organization(s)

	Yes	No
1a		No
1b		No
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j	Yes	
1k		No
1l	Yes	
1m	Yes	
1n	Yes	
1o		No
1p		No
1q	Yes	
1r	Yes	

**2** If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)	ST JOSEPH'SCANDLER HEALTH SYSTEM	R	11,121,800	FMV
(2)				
(3)				
(4)				
(5)				
(6)				

**Part VI Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

**Part VII Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation
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**Software ID:**  
**Software Version:**  
**EIN:** 58-0593388  
**Name:** CANDLER HOSPITAL INC

**Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations**

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
ST JOSEPH'SCANDLER HEALTH SYSTEM  5353 REYNOLDS STREET SAVANNAH, GA31405 58-2288758	MGMT	GA	501C 3	11A	NA		No
ST JOSEPH'S HOSPITAL INC  11705 MERCY BLVD SAVANNAH, GA31419 58-0568702	ACUTE CARE	GA	501C 3	3	NA		No
SJC HOME HEALTH SERVICES INC  5353 REYNOLDS STREET SAVANNAH, GA31405 58-1329042	HOME HLTH	GA	501C 3	9	NA		No
GEORGIA INFIRMARY INC  1900 ABERCORN STREET SAVANNAH, GA31401 58-0668614	CLINIC	GA	501C 3	9	NA		No
CANCER CARE PAVILION INC  5353 REYNOLDS STREET SAVANNAH, GA31405 11-3705418	ONCOLOGY	GA	501C 3	11A	NA		No
CANDLER FOUNDATION INC  5353 REYNOLDS STREET SAVANNAH, GA31405 58-1553254	FOUNDATION	GA	501C 3	11	NA		No

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

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COMBINED FINANCIAL STATEMENTS

for the years ended June 30, 2011 and 2010

## C O N T E N T S

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	<u>Pages</u>
Independent Auditor's Report	1
Combined Financial Statements:	
Balance Sheets	2-3
Statements of Operations and Changes in Net Assets	4-5
Statements of Cash Flows	6-7
Notes to Combined Financial Statements	8-45
Combining Information:	
Independent Auditor's Report on Combining Information	46
Balance Sheets	47-54
Statements of Excess Revenues (Expenses)	55-58
Statements of Cash Flows	59-66

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
St. Joseph's/Candler Health System, Inc.  
Savannah, Georgia

We have audited the combined balance sheets of St. Joseph's/Candler Health System, Inc. (System) as of June 30, 2011 and 2010, and the related combined statements of operations and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of St. Joseph's/Candler Health System, Inc. as of June 30, 2011 and 2010, and the results of its operations and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Draffin & Tucker, LLP*

Albany, Georgia  
October 20, 2011

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED BALANCE SHEETS  
as of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 21,465,979	\$ 18,654,940
Assets limited as to use required for current liabilities	5,097,088	10,127,256
Patient accounts receivable, less allowance for doubtful accounts of \$18,000,000 and \$19,000,000 for 2011 and 2010, respectively	49,036,289	47,889,821
Other receivables	4,819,982	3,231,748
Inventories	9,005,846	7,829,881
Prepaid expenses	2,617,708	3,725,630
Estimated third-party payor settlements	<u>1,501,646</u>	<u>426,404</u>
Total current assets	<u>93,544,538</u>	<u>91,885,680</u>
Assets limited as to use:		
Held in trust under bond indenture	3,477,687	3,321,696
Restricted under interest rate swap agreement and deferred compensation agreement	4,348,482	12,122,106
Board designated	<u>123,612,060</u>	<u>119,074,891</u>
Total assets limited as to use	<u>131,438,229</u>	<u>134,518,693</u>
Property and equipment, net	<u>150,144,038</u>	<u>156,083,555</u>
Derivative financial instruments	<u>2,992,076</u>	-
Other assets:		
Long-term investments	1,672,412	1,797,916
Goodwill	47,944,645	59,562,790
Beneficial interest in net assets of Foundations	6,655,086	7,109,763
Deferred financing costs, net	<u>3,167,550</u>	<u>3,180,137</u>
Total other assets	<u>59,439,693</u>	<u>71,650,606</u>
Total assets	<u>\$ 437,558,574</u>	<u>\$ 454,138,534</u>

<u>2011</u>	<u>2010</u>
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### LIABILITIES AND NET ASSETS

#### Current liabilities:

Current maturities of long-term debt	\$ 12,972,755	\$ 12,436,922
Accounts payable	12,282,869	13,282,173
Accrued employee related expenses	22,099,266	22,622,356
Other accrued expenses	<u>9,743,400</u>	<u>9,026,409</u>
 Total current liabilities	 57,098,290	 57,367,860
 Long-term debt, excluding current maturities	 164,097,194	 181,075,781
Accrued self-insurance claims	19,148,709	18,965,107
Accrued pension cost	25,855,648	30,168,037
Deferred compensation payable	6,484,584	5,551,731
Derivative financial instruments	-	8,768,595
Collateral held under interest rate swap agreement	<u>1,740,000</u>	<u>-</u>
 Total liabilities	 <u>274,424,425</u>	 <u>301,897,111</u>
 Net assets:		
Unrestricted net assets	157,492,818	146,456,992
Temporarily restricted net assets	4,581,331	4,724,431
Permanently restricted net assets	<u>1,060,000</u>	<u>1,060,000</u>
 Total net assets	 <u>163,134,149</u>	 <u>152,241,423</u>
 Total liabilities and net assets	 <u>\$ 437,558,574</u>	 <u>\$ 454,138,534</u>

The accompanying notes are an integral part  
of these financial statements.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED STATEMENTS OF OPERATIONS AND  
CHANGES IN NET ASSETS  
for the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted revenues, gains and other support:		
Patient service revenue (net of contractual allowances and discounts)	\$ 440,743,944	\$ 445,985,456
Provision for bad debts	( 48,552,870)	( 44,368,351)
Net patient service revenue	392,191,074	401,617,105
Other revenue	<u>22,147,745</u>	<u>22,205,462</u>
<b>Total unrestricted revenues, gains and other support</b>	<b><u>414,338,819</u></b>	<b><u>423,822,567</u></b>
Expenses:		
Salaries and wages	157,969,010	163,219,859
Employee benefits	36,430,925	36,655,712
Physician and professional fees	18,556,922	18,278,612
Materials and supplies	104,869,847	106,121,291
Purchased services	24,425,677	24,622,036
Insurance	3,053,470	3,700,957
Interest	8,888,518	11,364,816
Depreciation and amortization	21,719,203	24,631,414
Other	<u>26,904,828</u>	<u>26,830,331</u>
<b>Total expenses</b>	<b><u>402,818,400</u></b>	<b><u>415,425,028</u></b>
Income from operations	<u>11,520,419</u>	<u>8,397,539</u>
Other income:		
Investment income (loss)	( 2,567,607)	3,917,848
Change in fair value of derivative instruments	<u>1,737,841</u>	<u>( 960,787)</u>
Other income (loss), net	<u>( 829,766)</u>	<u>2,957,061</u>
Revenues and gains in excess of expenses and losses	10,690,653	11,354,600

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED STATEMENTS OF OPERATIONS AND  
CHANGES IN NET ASSETS, Continued  
for the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Unrestricted net assets:</b>		
Decrease in beneficial interest in unrestricted net assets of Foundations, net	\$( 311,584)	\$( 64,179)
Contributions for property	1,542,656	1,993,540
Changes in net unrealized gains and losses on investments other than trading securities	7,090,626	7,278,856
Decrease in actuarial loss on defined benefit pension plan	2,313,359	1,119,266
Amortization of actuarial loss on defined benefit pension plan	2,198,366	2,230,898
Amortization of prior service cost on defined benefit pension plan	( 830,112)	( 982,399)
Initial implementation of FASB ASC 350 - goodwill impairment	<u>( 11,658,145)</u>	-
 Increase in unrestricted net assets	 <u>11,035,819</u>	 <u>22,930,582</u>
 <b>Temporarily restricted net assets:</b>		
Increase (decrease) in beneficial interest in temporarily restricted net assets of Foundations, net	( 143,093)	26,730
 Increase in net assets	 10,892,726	 22,957,312
 Net assets, beginning of year	 <u>152,241,423</u>	 <u>129,284,111</u>
 Net assets, end of year	 <u>\$ 163,134,149</u>	 <u>\$ 152,241,423</u>

The accompanying notes are an integral part  
of these financial statements.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED STATEMENTS OF CASH FLOWS  
for the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 10,892,726	\$ 22,957,312
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in fair value of derivative instruments	( 1,737,841)	960,787
Beneficial interest in net assets of Foundations, net	454,677	37,449
Net realized and unrealized gains on investments other than trading securities	( 1,990,607)	( 8,726,163)
Initial implementation of FASB ASC 350 - goodwill impairment	11,658,145	-
Depreciation and amortization	21,719,203	24,631,414
Contributions for property	( 1,542,656)	( 1,993,540)
Changes in:		
Patient accounts receivable	( 1,146,468)	( 1,023,605)
Other receivables	( 1,588,234)	( 805,322)
Inventories	( 1,175,965)	32,776
Prepaid expenses	1,107,922	112,258
Estimated third-party payor settlements	( 1,075,242)	( 1,514,107)
Accounts payable	( 999,304)	( 1,075,529)
Accrued liabilities	193,901	1,945,569
Accrued self-insurance claims	183,602	530,785
Accrued pension costs	( 4,312,389)	( 2,950,026)
Deferred compensation payable	<u>932,853</u>	<u>453,515</u>
Net cash provided by operating activities	<u>31,574,323</u>	<u>33,573,573</u>
Cash flows from investing activities:		
Purchases of property and equipment	( 15,767,099)	( 11,120,059)
Proceeds from sale of assets limited as to use	112,348,655	88,588,405
Purchases of assets limited as to use	(102,287,416)	(100,096,230)
Proceeds from pledged collateral for swaps	1,740,000	-
Payments on interest rate swap	( 10,022,830)	-
Sales (purchases) of long-term investments, net	125,504	( 1,053,771)
Purchase of Savannah Oncology Group	<u>-</u>	<u>( 61,323,396)</u>
Net cash used by investing activities	<u>( 13,863,186)</u>	<u>( 85,005,051)</u>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED STATEMENTS OF CASH FLOWS, Continued  
for the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from financing activities:		
Repayment of long-term debt	\$(44,082,754)	\$(11,625,000)
Proceeds from issuance of long-term debt	27,640,000	61,000,000
Contributions for property	<u>1,542,656</u>	<u>1,993,540</u>
Net cash provided (used) by financing activities	<u>(14,900,098)</u>	<u>51,368,540</u>
Net increase (decrease) in cash and cash equivalents	2,811,039	(62,938)
Cash and cash equivalents, beginning of year	<u>18,654,940</u>	<u>18,717,878</u>
Cash and cash equivalents, end of year	<u>\$ 21,465,979</u>	<u>\$ 18,654,940</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ <u>9,845,189</u>	\$ <u>11,426,320</u>

- In 2010, the System acquired long-term assets, primarily consisting of net property, plant and equipment and goodwill of approximately \$2,000,000 and \$59,000,000, respectively, as a result of the transaction to acquire Savannah Oncology Group.

The accompanying notes are an integral part  
of these financial statements.

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

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1. Summary of Significant Accounting Policies

Organization

Effective April 1, 1997, Candler Hospital, Inc. (CH), Saint Joseph's Hospital, Inc. (SJH), St. Joseph's Health Center, Inc. (SJHC) and Candler Health Systems, Inc. (CHS) entered into a Joint Operating Agreement (JOA). Under the JOA, a new not-for-profit membership corporation, St. Joseph's/Candler Health System, Inc. (System), was formed and CH, SJH, and their various respective affiliates were restructured such that the System became the parent organization of CH, SJH and the affiliates. On April 1, 2003, SJHC and CHS resigned as members; the board of trustees became self-perpetuating, except for the right of the South Central Leadership Team of the Sisters of Mercy of the Americas, Inc. (SMA) to appoint three trustees; and SMA became the sole member of the System.

The System is governed by its board of trustees (Board) with 19 members. The Board is self-perpetuating and elects its own members, except that three trustees, who shall be Sisters of SMA or another congregation of Roman Catholic religious women, are appointed by SMA; and three trustees serve as ex officio members, the System CEO (ex officio voting) and the Presidents of the Medical Staff of CH and SJH (ex officio nonvoting).

The System operates a comprehensive integrated healthcare network and serves as the controlling body of its affiliated entities as follows:

CH is a not-for-profit corporation, of which the System is the sole member, established to provide comprehensive health care services through the operation of a 331-bed acute care hospital in Savannah, Georgia.

SJH is a not-for-profit corporation, of which the System is the sole member, established to provide comprehensive health care services through the operation of a 305-bed acute care hospital in Savannah, Georgia.

SJC Home Health, Inc. (Home Health) is a not-for-profit corporation, of which the System is the sole member, established to provide home health services in an eleven county area in southeast Georgia.

Cancer Care Pavilion, Inc. (Pavilion) is a not-for-profit corporation, of which the System is the sole member, formed to provide health care services as a part of the System and conduct research and activities to promote medical advances to treat and find a cure for cancer and cancer related illnesses. The Pavilion operates SJC Oncology Services – Georgia, LLC in Savannah, Georgia and SJC Oncology Services – South Carolina, LLC in Hilton Head, South Carolina.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Organization, Continued

Georgia Infirmary, Inc. (Infirmary) is a not-for-profit corporation, of which the System is the sole corporate member. The System shall have, and may exercise with respect to the Infirmary, all rights and authorities granted by law to members of nonprofit corporations in Georgia or the bylaws of the Infirmary, except that the System does not have the authority to change the mission of the Infirmary as outlined in the Infirmary's original Articles of Incorporation. In the event of any merger or sale of substantially all of the assets of the System, all membership interest of the System in the Infirmary shall be deemed surrendered by the System and reverted to the Infirmary. The Infirmary is an adult day health provider and also provides a case management program to improve health outcomes for elderly or disabled Medicaid recipients with chronic medical conditions.

SJC Ventures, Inc. (SJCV) is a for-profit corporation and wholly owned stock subsidiary of the System organized to be the sole shareholder of SJC Medical Group, Inc., SJC Properties, Inc. and SJC Health Services, Inc., thereby creating an affiliated group of corporations eligible to report on a consolidated basis for federal income tax purposes within the meaning of the Internal Revenue Code of 1986, as amended. In the accompanying combining information, the wholly owned subsidiaries of SJCV are presented separately.

SJC Medical Group, Inc. (SJCMG) is a for-profit corporation which owns, operates, and manages physician practices, in addition to performing billing services, of which SJCV is the sole shareholder.

SJC Properties, Inc. (Properties) is a for-profit corporation, wholly owned by SJCV, which owns and develops certain real estate and manages several medical office buildings.

SJC Health Services, Inc. (Health Services) is a for-profit corporation, wholly owned by SJCV, which currently operates SJC Mercy Oncology, Inc. which provides physician management services to SJC Oncology Services – Georgia, LLC and SJC Oncology Services – South Carolina, LLC.

Geechee Reinsurance Company, LLC (Geechee) commenced operations July 1, 2007 under the captive insurance company laws of the State of South Carolina to insure the general and professional liability risks of the System. Geechee was formed by way of continuation into the State of South Carolina from the Cayman Islands domiciled company, Geechee Reinsurance Company, SPC. Geechee Reinsurance Company, SPC was discontinued as an exempted company under the laws of the Cayman Islands effective July 1, 2007. Geechee is organized as a single member LLC with the System as its sole member.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Organization, Continued

The combined financial statements include the accounts of St. Joseph's/Candler Health System, Inc. and its affiliated entities. All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting

These combined financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the System as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classifying net assets and transactions as permanently restricted, temporarily restricted and unrestricted as follows:

- Permanently restricted net assets are those whose use by the System has been restricted by donors to be maintained in perpetuity.
- Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose.
- Unrestricted net assets are resources generated from operations, unrestricted donations, and lapse of temporary restrictions and are not subject to donor-imposed stipulations.

Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments such as certificates of deposit, commercial paper and money market accounts purchased with a maturity of three months or less.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

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1. Summary of Significant Accounting Policies, Continued

Allowance For Doubtful Accounts

Accounts receivable is reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the System utilizes a variety of information for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data from these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

The System analyzes the components of key patient account data including service date(s), charges, payments, adjustments, balance, financial class, patient type, service type, resource unit code and clinical codes. For receivables associated with services provided to patients who have third-party coverage, a variety of payment plans exist based on dates of service, charges, patient type, service type, resource value unit and outlier payment provisions. The System provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectibles, deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to currently have financial difficulties that make the realization of amounts due unlikely).

For receivables associated with non-contract payors and self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the System records a significant provision for bad debts in the period of service on the basis of recent, relevant collection history by financial class and/or insurance plan. This will indicate that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected, after all reasonable collection efforts have been exhausted, is charged off against the allowance for doubtful accounts.

The System's allowance for doubtful accounts for self-pay patients increased from 82.6 percent of self-pay accounts receivable at June 30, 2010 to 83.6 percent of self-pay accounts receivable at June 30, 2011. In addition, the System's self-pay writeoffs increased \$4,184,519 from \$44,368,351 for fiscal year 2010 to \$48,552,870 for fiscal year 2011. Both increases were the result of an increase in the volume of patients without insurance coverage in fiscal year 2011. The System has not changed its charity care or uninsured discount policies during fiscal years 2010 or 2011.

Inventories

Inventories are stated at the lower of cost or market as determined on a first-in, first-out basis.

Continued

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1 Summary of Significant Accounting Policies, ContinuedInvestments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined balance sheets. Investments without a readily determinable fair value are evaluated for the applicability of the cost or equity method. Investments qualifying for the equity method are stated at quoted net asset value of shares held at year end. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess revenues unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from excess revenues unless the investments are trading securities.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements; restricted assets under an interest rate swap agreement and a deferred compensation agreement; and designated assets set aside by the Board for future capital improvements, self-insurance and unfunded deferred compensation, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the System have been reclassified in the combined balance sheets at June 30, 2011 and 2010.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the combined financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support, and are excluded from excess revenues, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations addressing how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

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1. Summary of Significant Accounting Policies, Continued

Derivative Financial Instruments

The System accounts for its derivative financial instruments in accordance with FASB ASC 815 *Derivatives and Hedging*. FASB ASC 815 requires an entity to recognize all derivative instruments as either assets or liabilities in the combined balance sheets and to measure those instruments at fair value. FASB ASC 815 also requires that changes in the derivatives' fair values be recognized currently in the combined statement of operations and changes in net assets unless specific hedge accounting criteria are met. The System did not elect hedge accounting for its derivative instruments.

Goodwill

Under FASB authoritative guidance, goodwill and intangible assets with indefinite lives are no longer amortized, but are tested for impairment annually and more frequently in the event of an impairment indicator. The accounting standard also requires that intangible assets with definite lives be amortized over their respective estimated useful lives, and reviewed whenever events or circumstances indicate impairment may exist.

FASB authoritative guidance requires that a two-step test be performed to assess goodwill for impairment. First, the fair value of each reporting unit is compared to its carrying value. The fair values are computed by the System utilizing the discounted cash flow method. If the fair value exceeds the carrying value, goodwill is not impaired and no further testing is performed. The second step is performed if the carrying value exceeds the fair value. The implied fair value of the reporting unit's goodwill must be determined and compared to the carrying value of the goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, an impairment loss equal to the difference will be recorded.

As of June 30, 2011, the System had goodwill of \$47,944,645, which is subject to the impairment tests prescribed under the authoritative guidance. In accordance with the accounting standard, the System has elected June 30<sup>th</sup> as its annual impairment assessment date. The System completed its annual impairment assessment and concluded that no goodwill or indefinite lived intangible asset impairment charge was required other than the initial implementation of FASB ASC 350 as discussed in Note 5.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Beneficial Interest in Net Assets of Foundations

The System accounts for the activities of its related Foundations in accordance with FASB ASC 958-20, *Not-for-Profit Entities, Financially Interrelated Entities*. FASB ASC 958-20 establishes reporting standards for transactions in which a donor makes a contribution to a not-for-profit organization which accepts the assets on behalf of or transfers these assets to a beneficiary which is specified by the donor. The St. Joseph's Foundation of Savannah, Inc. and Candler Foundation, Inc. accept assets on behalf of SJH and CH, respectively.

Deferred Financing Costs

Costs related to the issuance of long-term debt were deferred and are being amortized using the straight-line method over the life of the related debt which approximates the effective interest method.

Revenues and Gains in Excess of Expenses and Losses

The combined statement of operations and changes in net assets includes excess revenues. Changes in unrestricted net assets which are excluded from excess revenues, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The System provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than its established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

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1. Summary of Significant Accounting Policies, Continued

Estimated Self-Insurance Costs

The provision for estimated malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Income Taxes

The System, CH, SJH, Home Health, Pavilion and Infirmary are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Only net income from activities designated as unrelated to the exempt purposes of CH, SJH, Home Health, Pavilion and Infirmary are subject to federal and state unrelated business income tax. Geechee is organized as a single member LLC owned by System and is treated as a disregarded entity for tax purposes.

Effective December 15, 2009, the System adopted ASC 740-10-50-15, *Accounting for Uncertainty in Income Taxes*. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the System only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Based on the results of management's evaluation, no liability is recognized in the accompanying combined balance sheets for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of June 30, 2011 and 2010 or for the years then ended. The System's open audit periods are for tax years ended 2008-2010.

SJCV, SJCMG, Properties and Health Services have generally incurred operating losses for tax purposes and have not recorded a current or deferred tax provision due to significant net operating loss (NOL) carryforwards which would be utilized to offset any potential tax liabilities generated from future taxable income. At June 30, 2011, NOL carryforwards expiring through 2026 amounted to approximately \$90,000,000 and are available for the offset of future taxable income.

Continued

## NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, ContinuedImpairment of Long-Lived Assets

The System evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. Except for the loss associated with goodwill disclosed in Note 5, the System has not recorded any impairment charges in the accompanying combined statements of operations and changes in net assets for the years ended June 30, 2011 and 2010.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures*, defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes the following three levels of inputs that may be used:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Recently Issued Accounting Pronouncement

In July 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowances for Doubtful Accounts for Certain Health Care Entities*.

The amendments in this ASU change the presentation of the combined statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). The System adopted the new accounting rules and disclosures for the fiscal year ending June 30, 2011, and as permitted, applied the guidance retrospectively to all prior periods presented. The adoption did not have an impact on the System's income from operations or changes in net assets.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2010 combined financial statements to conform to the fiscal year 2011 presentation. These reclassifications had no impact on the change in net assets in the accompanying combined financial statements.

Subsequent Event

In preparing these combined financial statements, the System has evaluated events and transactions for potential recognition or disclosure through October 20, 2011, the date the combined financial statements were issued.

2. Investments

Assets Limited As To Use

The composition of assets limited as to use at June 30, 2011 and 2010 is set forth in the following table. Investments are stated at fair value and are considered other than trading.

	<u>2011</u>	<u>2010</u>
Held in trust under bond indenture:		
Cash and cash equivalents	\$ 5,562,890	\$ 10,439,787
U.S. Government and Agency obligations	269,969	269,969
Municipal obligations	2,684,340	2,684,340
Interest receivable	<u>57,576</u>	<u>54,856</u>
 Total	 <u>8,574,775</u>	 <u>13,448,952</u>

Continued

## ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2 Investments, ContinuedAssets Limited As To Use, Continued

	<u>2011</u>	<u>2010</u>
Interest rate swap agreement and deferred compensation agreement:		
Cash and cash equivalents	\$ 1,740,032	\$ 10,046,509
Mutual funds – equity	<u>2,608,450</u>	<u>2,075,597</u>
Total	<u>4,348,482</u>	<u>12,122,106</u>
Board designated:		
Cash and cash equivalents	1,518,993	8,284,013
U. S. Government and Agency obligations	15,445,192	14,992,584
Corporate bonds	12,691,029	9,167,587
Mutual funds – fixed income	21,481,084	20,490,204
Mutual funds – equity	12,239,524	10,949,757
Mutual funds – international equity	5,968,657	4,377,581
Equity securities – common stock	22,706,492	20,548,081
Equity securities – international	847,269	694,774
Alternative investments	30,379,704	29,245,112
Interest receivable	<u>334,116</u>	<u>325,198</u>
Total	<u>123,612,060</u>	<u>119,074,891</u>
Total assets limited as to use	136,535,317	144,645,949
Less amounts required for current liabilities	<u>5,097,088</u>	<u>10,127,256</u>
Total	<u>\$ 131,438,229</u>	<u>\$ 134,518,693</u>

Alternative investments (including amounts held under the Defined Benefit Pension Plan discussed in Note 11) include investments in various funds that invest in a variety of growth and value assets. Management of the funds has the ability to shift investments as they feel necessary to meet established goals. The fair values of the investments in this category have been estimated using the net asset value per share of the underlying investments. These securities have no unfunded commitments and are redeemed quarterly with a redemption notice period of 90 days.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2. Investments, Continued

Assets Limited As To Use, Continued

Investment income and gains (losses) for assets limited as to use, cash equivalents, and investments are comprised of the following for the years ending June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Income:		
Interest income and dividends	\$ 2,532,412	\$ 2,470,541
Realized gains (losses) on sales of securities	<u>(5,100,019)</u>	<u>1,447,307</u>
<b>Total</b>	<b><u>\$ (2,567,607)</u></b>	<b><u>\$ 3,917,848</u></b>
Other changes in unrestricted net assets:		
Changes in unrealized gains and losses on investments, net	<u>\$ 7,090,626</u>	<u>\$ 7,278,856</u>

The following table outlines fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2011 and 2010.

Description Of Securities	June 30, 2011					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and Agency obligations	\$ 2,912,191	\$( 35,751)	\$ 3,224,797	\$(132,073)	\$ 6,136,988	\$( 167,824)
Municipal obligations	-	-	2,339,480	(344,860)	2,339,480	( 344,860)
Corporate bonds	2,508,920	( 35,226)	-	-	2,508,920	( 35,226)
Equity securities - common stock	739,483	(130,708)	584,037	(418,381)	1,323,520	( 549,089)
Equity securities - international	120,550	( 6,625)	86,363	( 14,531)	206,913	( 21,156)
<b>Total</b>	<b><u>\$ 6,281,144</u></b>	<b><u>\$(208,310)</u></b>	<b><u>\$ 6,234,677</u></b>	<b><u>\$(909,845)</u></b>	<b><u>\$ 12,515,821</u></b>	<b><u>\$(1,118,155)</u></b>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2. Investments, Continued

Assets Limited As To Use, Continued

Description Of Securities	June 30, 2010					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and Agency obligations	\$ 4,645,253	\$( 83,874)	\$ -	\$ -	\$ 4,645,253	\$( 83,874)
Municipal obligations	2,143,845	( 540,495)	-	-	2,143,845	( 540,495)
Mutual funds - equity	2,645,100	( 312,996)	8,304,656	( 557,359)	10,949,756	( 870,355)
Mutual funds - international equity	-	-	4,377,581	(1,137,578)	4,377,581	(1,137,578)
Equity securities - common stock	2,928,705	( 277,700)	2,102,695	( 826,238)	5,031,400	(1,103,938)
Equity securities - international	69,377	( 14,632)	169,398	( 42,807)	238,775	( 57,439)
Total	\$ 12,432,280	\$ (1,229,697)	\$ 14,954,330	\$ (2,563,982)	\$ 27,386,610	\$ (3,793,679)

- U. S. Government and Agency obligations, Municipal obligations and Corporate bonds: The unrealized losses on these investments were primarily caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost or face value of the obligations. Because the System has the ability and intent to hold these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.
- Mutual funds and Equity securities: For all of these securities with an unrealized loss, such unrealized loss in total was approximately 37% in 2011 and 15% in 2010 of the System's carrying value of the securities in a loss position. The System considers various factors when determining if a decline in the fair value of an equity are other-than-temporary including, but not limited to, the length of time and magnitude of the unrealized loss; the volatility of the investment; analyst recommendations and price targets; opinions of the System's external investment managers; market liquidity; and the System's intentions to sell or ability to hold the investments. Based on an evaluation of these factors, the System has concluded that the declines in fair values of the System's equity investments at June 30, 2011 are temporary.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

3. Property and Equipment

A summary of property and equipment at June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 9,757,454	\$ 9,825,253
Land improvements	8,094,369	8,063,971
Building and fixed equipment	267,775,165	265,408,186
Major movable equipment	<u>264,432,382</u>	<u>254,602,413</u>
	550,059,370	537,899,823
Less accumulated depreciation	<u>403,477,497</u>	<u>382,674,395</u>
	146,581,873	155,225,428
Construction in progress	<u>3,562,165</u>	<u>858,127</u>
 Property and equipment, net	 <u>\$ 150,144,038</u>	 <u>\$ 156,083,555</u>

Depreciation expense for the years ended June 30, 2011 and 2010 amounted to approximately \$22,000,000 and \$25,000,000, respectively.

4 Derivative Financial Instruments

The Series 1998 and 2003 bonds utilize various interest rate swaps to take advantage of different interest rate positions. The fair market value of the swaps is reported in derivative financial instruments on the combined balance sheets. The critical terms of the swaps are as follows:

1998A and 1998B Swap Agreement – Variable to Fixed

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Notional amount	\$ 77,330,000	\$ 81,495,000
Fair market swap	\$ 814,000	\$( 9,689,000)
Life remaining on swap	12 Years	13 Years

1998A and 1998B Swap Agreement – Variable to Variable

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Notional amount	\$ 77,330,000	\$ 81,495,000
Fair market swap	\$ 1,176,000	\$ 615,000
Life remaining on swap	12 Years	13 Years

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

4. Derivative Financial Instruments, Continued

1998C and 2003 Swap Agreement – Variable to Variable

	June 30, <u>2011</u>	June 30, <u>2010</u>
Notional amount	\$ 54,180,000	\$ 56,455,000
Fair market swap	\$ 1,002,000	\$ 305,000
Life remaining on swap	22 Years	23 Years

The swaps were issued at market terms so that they had no fair value at their inception. The carrying amount of the swaps have been adjusted to fair value at the end of the year which, because of changes in forecasted levels of LIBOR, resulted in reporting an asset in 2011 and a net liability in 2010. As the swaps were in a net liability position as of June 30, 2010, the System deemed the capacity to perform on the part of the derivative counterparty to be of little or no concern; and no adjustment was applied to standard market valuation practices.

The portion of the swap results not designated as a hedging derivative is included in revenues and gains in excess of expenses and losses. For the years ending June 30, 2011 and 2010, this earnings impact totaled \$1,737,841 and \$(960,787), respectively.

In 2010, certain provisions of the System's interest rate swaps required a counterparty to hold System assets as collateral. At June 30, 2010, the counterparty held approximately \$10,000,000 of the System's assets. These assets are included in assets limited as to use restricted under interest rate swap agreement and deferred compensation agreement in the accompanying combined balance sheets. In November 2010, the System paid \$10,022,830 to modify the terms of the 1998A and 1998B Swap Agreement – Variable to Fixed and reduced the fixed interest rate term. The fixed interest rate was adjusted from 3.57% to 1.60%.

In 2011, certain provisions of the System's interest rate swaps require the System to hold assets as collateral for a counterparty. At June 30, 2011, the System held approximately \$2,000,000 of the counterparty's assets. These assets are included in assets limited as to use restricted under interest rate swap agreement and deferred compensation agreement and the corresponding liability in collateral held under interest rate swap agreement in the accompanying combined balance sheets.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

5. Goodwill

The System acquired Savannah Oncology Group on July 15, 2009. Savannah Oncology Group includes SJC Oncology Services - Georgia, LLC, SJC Oncology Services - South Carolina, LLC and SJC Mercy Oncology, Inc. The goodwill is evaluated annually for impairment.

The changes in the carrying amount of goodwill for the years ended June 30, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Balance at beginning of year:		
Goodwill	\$ 59,562,790	\$ 101,000
Accumulated impairment losses	-	-
	<u>59,562,790</u>	<u>101,000</u>
Goodwill acquired during the year	<u>40,000</u>	<u>59,461,790</u>
Balance at end of the year:		
Goodwill	59,602,790	59,562,790
Initial implementation of FASB ASC 350	<u>(11,658,145)</u>	-
Net goodwill	<u>\$ 47,944,645</u>	<u>\$ 59,562,790</u>

On July 1, 2010, the System implemented FASB ASC 350. Using the discounted cash flow method, the System calculated the fair value of Savannah Oncology Group, which produced an impairment of goodwill. The goodwill impairment at July 1, 2010 is recorded as a reduction to unrestricted net assets due to the initial implementation of FASB ASC 350. On June 30, 2011, the System calculated the fair value of Savannah Oncology Group with no additional impairment.

6. Related Organization

Candler Foundation, Inc. and St. Joseph's Foundation of Savannah, Inc. (the Foundations) were established to raise funds to support the operations of Candler Hospital and St. Joseph's Hospital (the Hospitals). The Foundations' bylaws provide that all funds raised, except for funds acquired for the operations of the Foundations, be distributed to or be held for the benefit of the Hospitals. The Foundations' general funds, which represent the Foundations' unrestricted resources, are distributed to the Hospitals in amounts and in periods determined by the Foundations' Boards of Directors, who may also restrict the use of general funds for Hospital plant replacement or expansion or other specific purposes. Plant replacement and expansion funds, specific-purpose funds, and assets obtained from endowment income of the Foundations are distributed to the Hospitals as required to comply with the purpose specified

Continued

## ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

6. Related Organization, Continued

by donors. A summary of the Foundations' assets, liabilities, net assets, results of operations, and changes in net assets follows. The Hospitals' interest in the net assets of the Foundations is reported as a non-current asset in the combined balance sheets.

Candler Foundation, Inc.

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Cash	\$ 12,245	\$ 62,382
Investments	2,974,753	2,737,398
Other assets	<u>1,782,114</u>	<u>1,767,210</u>
<b>Total assets</b>	<b>\$ 4,769,112</b>	<b>\$ 4,566,990</b>
<b>Liabilities:</b>		
Accounts payable	\$ 17,729	\$ 14,558
Due to St. Joseph's/Candler Health System, Inc.	<u>43,782</u>	<u>30,837</u>
<b>Total liabilities</b>	<b><u>61,511</u></b>	<b><u>45,395</u></b>
<b>Net assets:</b>		
Unrestricted	461,410	318,696
Temporarily restricted	3,286,191	3,242,899
Permanently restricted	<u>960,000</u>	<u>960,000</u>
<b>Total net assets</b>	<b>4,707,601</b>	<b>4,521,595</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,769,112</b>	<b>\$ 4,566,990</b>
<b>Revenue and support</b>	<b>\$ 1,054,802</b>	<b>\$ 917,318</b>
<b>Expenses</b>	<b><u>1,159,670</u></b>	<b><u>1,622,134</u></b>
Excess of expenses	( 104,868)	( 704,816)
<b>Other changes in net assets</b>	<b>290,874</b>	<b>170,394</b>
<b>Net assets, beginning of year</b>	<b><u>4,521,595</u></b>	<b><u>5,056,017</u></b>
<b>Net assets, end of year</b>	<b>\$ 4,707,601</b>	<b>\$ 4,521,595</b>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

6 Related Organization, Continued

St. Joseph's Foundation of Savannah, Inc.

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Cash	\$ 32,276	\$ 35,785
Investments	1,593,116	2,091,192
Other assets	<u>343,514</u>	<u>449,559</u>
 Total assets	 <u>\$ 1,968,906</u>	 <u>\$ 2,576,536</u>
<b>Liabilities:</b>		
Accounts payable	\$ 19,910	\$ 9,363
Due to St. Joseph's/Candler Health System, Inc.	<u>1,510</u>	<u>6,339</u>
 Total liabilities	 <u>21,420</u>	 <u>15,702</u>
<b>Net assets:</b>		
Unrestricted	552,346	979,302
Temporarily restricted	1,295,140	1,481,532
Permanently restricted	<u>100,000</u>	<u>100,000</u>
 Total net assets	 <u>1,947,486</u>	 <u>2,560,834</u>
 Total liabilities and net assets	 <u>\$ 1,968,906</u>	 <u>\$ 2,576,536</u>
 Revenue and support	 \$ 683,800	 \$ 1,787,944
 Expenses	 <u>1,411,586</u>	 <u>1,502,639</u>
 Excess of revenue (expenses)	 ( 727,786)	 285,305
 Other changes in net assets	 114,438	 184,568
 Net assets, beginning of year	 <u>2,560,834</u>	 <u>2,090,961</u>
 Net assets, end of year	 <u>\$ 1,947,486</u>	 <u>\$ 2,560,834</u>

Continued

## NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7. Long-Term Debt

The Hospital Authority of Savannah (the Authority) issued three series of bonds pursuant to a Bond Trust Indenture dated September 1, 1998, by and between the Authority and the bond trustee, Wachovia Bank, N.A. (formerly known as First Union National Bank). The series are as follows: \$38,875,000 principal amount Series A (St. Joseph's Hospital), \$75,585,000 principal amount Series B (Candler Hospital), and \$25,000,000 principal amount Series C (Taxable) (SJC Properties). The Authority simultaneously entered into a Loan Agreement dated September 1, 1998 by and between the Authority and the System, CH and SJH (Obligated Group). Principal is to be paid on July 1st and interest is to be paid on January 1st and July 1st through 2023 by the Obligated Group to the Authority. The Obligated Group has used the proceeds (1) to refund the Authority's Revenue Refunding and Improvement Bonds (Candler Hospital) Series 1992 and the Authority's Revenue Bonds (St. Joseph's Hospital Project) Series 1993; (2) to finance the acquisition of equipment and certain existing office buildings and a parking deck, routine capital expenditures for CH and SJH for a 24-month period, and other capital projects; and (3) to pay costs of issuance of the Series 1998 bonds.

The Authority issued a \$45,000,000 principal bond Series 2003 pursuant to a Bond Trust Indenture dated December 1, 2003, by and between the Authority and the bond trustee, Wachovia Bank, N.A. (formerly known as First Union National Bank). The Authority simultaneously entered into a Loan Agreement dated December 1, 2003 by and between the Authority and the Obligated Group. Principal is to be paid on July 1st and interest is to be paid on January 1st and July 1st through 2033 by the Obligated Group to the Authority. The Obligated Group has used the proceeds (1) to finance the construction of a parking deck and the costs of routine capital expenditures for CH and SJH for a 24-month period, and other capital projects; (2) to pay costs of issuance of the Series 2003 bonds; and (3) to fund the Debt Service Reserve Fund in an amount equal to the reserve requirement.

The Pavilion incurred a \$61,000,000 taxable term loan pursuant to a loan agreement dated July 14, 2009 by and between the Pavilion and Regions Bank. On December 1, 2010, the Pavilion amended the loan to modify the terms of the agreement. The remaining principal balance of \$52,500,000 and interest payments will be made monthly through July 2015. The Pavilion used the proceeds to finance the purchase of Savannah Oncology Group.

The Authority issued a \$27,640,000 principal bond Series 2010 pursuant to a Bond Trust Indenture dated December 1, 2010, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated December 1, 2010 by and between the Authority and the System. Principal and interest is to be paid monthly through July 2016 by the System to the Authority. The System has used the proceeds to pay the costs of current refunding of certain maturities of the 1998A and 1998B outstanding Revenue Bonds.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7. Long-Term Debt, Continued

A summary of long-term debt at June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Hospital Authority of Savannah Revenue Bonds, St. Joseph's/Candler Health System, Inc.		
Issue Series 1998A (St. Joseph's Hospital):		
5.25% serial bonds, due in varying annual installments to July 2014	\$ -	\$ 7,805,000
5.0% term bonds, due July 2018, with varying annual sinking fund requirements commencing in 2015	4,105,000	7,830,000
5.0% term bonds, due July 2023, with varying annual sinking fund requirements commencing in 2019	12,185,000	12,185,000
Unamortized premium	<u>51,649</u>	<u>55,894</u>
Total	<u>16,341,649</u>	<u>27,875,894</u>
Issue Series 1998B (Candler Hospital):		
5.25% serial bonds, due in varying annual installments to July 2014	- -	15,245,000
5.0% term bonds, due July 2018, with varying annual sinking fund requirements commencing in 2015	7,915,000	15,130,000
5.0% term bonds, due July 2023, with varying annual sinking fund requirements commencing in 2019	23,300,000	23,300,000
Unamortized premium	<u>108,402</u>	<u>117,313</u>
Total	<u>31,323,402</u>	<u>53,792,313</u>
Issue Series 1998C (SJC Properties):		
6.625% term bonds, due in varying annual sinking fund requirements to July 2018	14,410,000	15,745,000
Unamortized discount	<u>( 126,710)</u>	<u>( 144,391)</u>
Total	<u>14,283,290</u>	<u>15,600,609</u>

Continued

## ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7. Long-Term Debt, Continued

	<u>2011</u>	<u>2010</u>
Hospital Authority of Savannah Revenue Bonds, St. Joseph's/Candler Health System, Inc. Issue Series 2003:		
3.5% to 4.0% serial bonds, due in varying annual installments to July 2013	\$ 3,030,000	\$ 3,970,000
5.25% term bonds, due July 2023, with varying annual sinking fund requirements commencing in 2014	13,870,000	13,870,000
5.0% term bonds, due July 2026, with varying annual sinking fund requirements commencing in 2024	5,735,000	5,735,000
5.0% term bonds, due July 2033, with varying annual sinking fund requirements commencing in 2027	17,135,000	17,135,000
Unamortized premium	<u>32,440</u>	<u>33,887</u>
 Total	<u>39,802,440</u>	<u>40,743,887</u>
 Cancer Care Pavilion, Inc. taxable term loan, with a variable interest rate based on LIBOR plus a margin based upon the applicable rating, due in monthly installments of \$500,000 to June 2015 and the remaining balance due July 2015	<u>49,500,000</u>	<u>55,500,000</u>
 Hospital Authority of Savannah Revenue Bonds, St. Joseph's/Candler Health System, Inc. Issue Series 2010, with a variable interest rate based on LIBOR plus a margin based on applicable rating, payable in varying monthly amounts from \$364,167 to \$466,667 in July 2016.	<u>25,819,168</u>	<u>-</u>
 Less current maturities	<u>177,069,949</u>	<u>193,512,703</u>
 Total long-term debt	<u>\$ 164,097,194</u>	<u>\$ 181,075,781</u>

Premiums and discounts on long-term debt are amortized using the straight-line method over the life of the related bonds which approximates the effective interest method.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7 Long-Term Debt, Continued

Under the terms of the bond indentures, the System is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the accompanying combined balance sheets. The bond indentures also place limits on the incurrence of additional borrowings and require that the System satisfy certain measures of financial performance as long as the bonds are outstanding. Additionally, the bond indentures are secured by substantially all property and equipment of CH, SJH, and Properties.

The System entered into interest rate swaps in relation to its debt structure. During the years ended June 30, 2011 and 2010, the System recognized approximately \$1,250,000 and \$2,500,000, respectively, which has been recorded as an addition to interest expense in the accompanying combined statements of operations and changes in net assets.

Scheduled principal repayments on long-term debt for the next five years are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 12,975,833
2013	13,345,417
2014	13,729,583
2015	14,133,335
2016	34,063,333
Thereafter	<u>88,756,667</u>
Total	\$ <u>177,004,168</u>

8. Temporarily and Permanently Restricted Net Assets

A summary of the restricted net assets at June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Temporarily restricted net assets:		
	\$ 3,286,191	\$ 3,242,899
	<u>1,295,140</u>	<u>1,481,532</u>
Total	<u>\$ 4,581,331</u>	<u>\$ 4,724,431</u>
Permanently restricted net assets:		
	\$ 960,000	\$ 960,000
	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 1,060,000</u>	<u>\$ 1,060,000</u>

Continued

9. Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. A summary of the payment agreements with major third-party payors follows:

• Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

The System is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary. The System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the System. The System's Medicare cost reports have been audited by the Medicare fiscal intermediary through 2007.

Revenue from the Medicare program accounted for approximately 46% and 44% of the System's patient service revenue for the years ended 2011 and 2010, respectively. Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined.

The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the federal level including the initiation of the Recovery Audit Contractor (RAC) program. The RAC program was created to review Medicare claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments made on or after October 1, 2007. While no such regulatory inquiries have been made to date, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare program.

Continued

## NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

9. Patient Service Revenue, Continued• Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary. The System's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2007.

Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined.

Effective June 1, 2006, the System began contracting with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state level including the initiation of the Medicaid Integrity Contractor (MIC) program. This program was created to review Medicaid claims for medical necessity and coding appropriateness. While no such regulatory inquiries have been made to date, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicaid program.

Continued

## NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

9. Patient Service Revenue, Continued• Medicaid, Continued

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient service revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment will result in an increase in payments for Medicaid services to hospitals of approximately 11.88%. Approximately \$4,960,000 of provider payments relating to the Act are included as a reduction in net patient service revenue in the accompanying combined statements of operations and changes in net assets for the year ended June 30, 2011.

• Other Agreements

The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System under these agreements include prospectively determined rates per discharge, prospectively determined daily rates, fixed rates fee schedules, and discounts from established charges.

For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

Patient Service Revenue  
(Net of Contractual Allowances and Discounts)

	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
2011	<u>\$ 397,326,455</u>	<u>\$ 43,417,489</u>	<u>\$ 440,743,944</u>
2010	<u>\$ 400,825,194</u>	<u>\$ 45,160,262</u>	<u>\$ 445,985,456</u>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

10. Uncompensated Services

The System was compensated for services at amounts less than its established rates. The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Gross patient charges	<u>\$ 1,452,367,407</u>	<u>\$ 1,396,680,721</u>
Uncompensated services:		
Charity and indigent care	40,650,206	39,229,448
Medicare	535,980,546	495,651,779
Medicaid	103,827,638	103,593,893
Other	331,165,073	312,220,145
Bad debts	<u>48,552,870</u>	<u>44,368,351</u>
Total uncompensated care	<u>1,060,176,333</u>	<u>995,063,616</u>
Net patient service revenue	<u>\$ 392,191,074</u>	<u>\$ 401,617,105</u>

The cost of charity and indigent care services provided during 2011 and 2010 was \$11,274,455 and \$11,668,303, respectively, computed by applying a total cost factor to the charges foregone.

11. Pension Plans

Prior to July 1, 2000, the System had a defined benefit pension plan (the Candler Plan) covering substantially all employees of CH and its pre-JOA affiliates and a defined benefit pension plan (the St. Joseph's Plan) covering substantially all employees of SJH. The Candler Plan benefits for retired, terminated and active employees or their beneficiaries were based on years of service and employee compensation during three of the last ten years of covered employment. The St. Joseph's Plan benefits are based on years of service and employee compensation during three of the last ten years of covered employment.

Effective July 1, 2000, the Candler Plan was merged into the St. Joseph's Plan. The St. Joseph's Plan is a Church Plan (as defined by ERISA) and is not subject to the Funding Standard Account Requirements of IRC Section 412 nor to coverage under Title IV of ERISA. Annual contributions to the combined St. Joseph's Plan are based on the Board's discretion. The funding decisions are made based upon the actuarial valuation as of July 1st. The disclosures are based on projections of actuarial information and actual plan assets as of June 30th.

Continued

## ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11. Pension Plans, Continued

Effective July 1, 2006, the System approved a plan amendment that effectively froze the defined benefit plan for any future service cost.

The projected benefit obligation is the actuarial present value of that portion of the projected benefits attributable to employee service rendered through June 30, 2006. Cumulative net actuarial gains and losses are amortized over the average future service of active participants. Prior service cost is amortized over the remaining average future service of active employees as of the date the prior service cost arose.

The following table sets forth the St. Joseph's Plan's funded status and amounts recognized in the combined financial statements at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Plan assets at fair value as of June 30	\$ 59,483,663	\$ 53,675,111
Projected benefit obligation as of June 30	<u>85,339,311</u>	<u>83,843,148</u>
 Funded status	 <u>\$(25,855,648)</u>	 <u>\$(30,168,037)</u>
 Amounts recognized only in unrestricted net assets:		
Unrecognized net loss from past experience different from that assumed	\$(43,712,243)	\$(48,223,968)
Prior service cost not yet recognized in net periodic pension cost	<u>10,102,472</u>	<u>10,932,584</u>
 Deferred pension cost	 <u>\$(33,609,771)</u>	 <u>\$(37,291,384)</u>

Significant assumptions used to determine the accumulated and projected benefit obligations, and net periodic pension cost for the St. Joseph's Plan for the years ended June 30, 2011 and 2010, were as follows:

	<u>2011</u>	<u>2010</u>
Discount rate	Segment Rates of 4.44%, 6.62% and 6.74%	Segment Rates of 5.31%, 6.54% and 6.73%
Rate of increase in future compensation levels	0.00%	0.00%
Expected long-term rate of return on assets	8.00%	8.00%

Continued

## ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11. Pension Plans, Continued

The assumption for the expected long-term rate of return on assets is an estimate based on historical returns for portfolios heavily weighted toward long-term investments, such as long-term bonds and equity securities.

The actuarially computed net periodic pension cost for the St. Joseph's Plan for the years ended June 30, 2011 and 2010 included the following components:

	<u>2011</u>	<u>2010</u>
Interest cost on projected benefit obligation	\$ 5,360,953	\$ 4,957,862
Expected return on plan assets	( 4,267,979)	( 3,696,618)
Amortization of actuarial loss	2,198,366	2,230,898
Amortization of prior service cost	( 830,112)	( 982,399)
 Net periodic pension cost	<u>2,461,228</u>	<u>2,509,743</u>
 Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Change in net actuarial loss	( 2,313,359)	( 1,119,266)
Amortization of net actuarial loss	( 2,198,366)	( 2,230,898)
Amortization of prior service cost	<u>830,112</u>	<u>982,399</u>
 Total recognized in unrestricted net assets	<u>( 3,681,613)</u>	<u>( 2,367,765)</u>
 Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ ( 1,220,385)</u>	<u>\$ 141,978</u>

The change in projected benefit obligation for the St. Joseph's Plan for the years ended June 30, 2011 and 2010 included the following components:

	<u>2011</u>	<u>2010</u>
Projected benefit obligation, beginning of year	\$ 83,843,148	\$ 81,162,256
Interest cost	5,360,953	4,957,862
Actuarial loss	30,694	1,465,779
Benefits paid	( 3,895,484)	( 3,742,749)
 Projected benefit obligation, end of year	<u>\$ 85,339,311</u>	<u>\$ 83,843,148</u>
 Accumulated benefit obligation	<u>\$ 85,339,311</u>	<u>\$ 83,843,148</u>

Continued

## ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11. Pension Plans, Continued

The change in plan assets for the St. Joseph's Plan for the years ended June 30, 2011 and 2010 included the following components:

	<u>2011</u>	<u>2010</u>
Plan assets at fair value, beginning of year	\$ 53,675,111	\$ 48,044,193
Actual return on assets	6,612,032	6,281,663
Employer contributions	3,092,004	3,092,004
Benefits paid	( 3,895,484)	( 3,742,749)
Plan assets at fair value, end of year	<u>\$ 59,483,663</u>	<u>\$ 53,675,111</u>

The actuarial loss and prior service cost to be recognized during the next 12 months beginning July 1, 2011 is as follows:

Recognized net actuarial loss	\$ 2,198,366
Amortization of prior year service costs	( 830,112)
Total	<u>\$ 1,368,254</u>

Estimated Contributions

The System plans to contribute approximately \$4,000,000 to this plan during fiscal year 2012.

Estimated Future Benefit Payments

The following benefit payments are expected to be paid:

<u>Year Ending June 30</u>	<u>Pension Benefits</u>
2012	\$ 3,463,673
2013	\$ 3,533,546
2014	\$ 3,827,302
2015	\$ 4,091,812
2016	\$ 4,421,358
2017 - 2021	\$ 27,281,441

The expected benefits to be paid are based on the same assumptions used to measure the System's benefit obligation at June 30, 2011.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11. Pension Plans, Continued

Plan Assets

The composition of plan assets at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>Percentage</u>	<u>2010</u>	<u>Percentage</u>
Cash and cash equivalents	\$ 3,270,097	5%	\$ 4,707,486	9%
Mutual funds – fixed income	9,957,852	17%	9,568,353	18%
Mutual funds – equity	21,941,761	37%	18,033,150	34%
Mutual funds – international equity	6,758,344	11%	4,969,744	9%
Equity securities	12,358,542	21%	9,782,023	18%
Alternative investments	<u>5,197,067</u>	<u>9%</u>	<u>6,614,355</u>	<u>12%</u>
Total plan assets, at fair value	\$ <u>59,483,663</u>	<u>100%</u>	\$ <u>53,675,111</u>	<u>100%</u>

The plan assets are long-term in nature and are intended to generate returns while preserving capital. The target allocation for the investments is 67% equity, 30% fixed income/alternative investments and 3% cash and equivalents.

The fair values of the System's pension plan assets at June 30, 2011 and 2010, by asset category are as follows:

<u>Asset Category</u>	<u>Fair Value Measurements At June 30, 2011</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets</u> <u>(Level 1)</u>	<u>Significant Other Observable Inputs</u> <u>(Level 2)</u>	<u>Significant Unobservable Inputs</u> <u>(Level 3)</u>
Cash and cash equivalents	\$ 3,270,097	\$ 3,270,097	\$ -	\$ -
Mutual funds – fixed income	9,957,852	9,957,852	-	-
Mutual funds – equity	21,941,761	21,941,761	-	-
Mutual funds – international equity	6,758,344	6,758,344	-	-
Equity securities	12,358,542	12,358,542	-	-
Alternative investments	<u>5,197,067</u>	<u>-</u>	<u>-</u>	<u>5,197,067</u>
Total	\$ <u>59,483,663</u>	\$ <u>54,286,596</u>	\$ <u>-</u>	\$ <u>5,197,067</u>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11. Pension Plans, Continued

Plan Assets, Continued

<u>Asset Category</u>	<u>Fair Value Measurements At June 30, 2010</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Unobservable Inputs</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash and cash equivalents	\$ 4,707,486	\$ 4,707,486	\$ -	\$ -
Mutual funds – fixed income	9,568,353	9,568,353	-	-
Mutual funds – equity	18,033,150	18,033,150	-	-
Mutual funds – international equity	4,969,744	4,969,744	-	-
Equity securities	9,782,023	9,782,023	-	-
Alternative investments	<u>6,614,355</u>	<u>-</u>	<u>-</u>	<u>6,614,355</u>
Total	<u>\$ 53,675,111</u>	<u>\$ 47,060,756</u>	<u>\$ -</u>	<u>\$ 6,614,355</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Alternative Investments

Beginning balance at July 1, 2009	\$ 8,451,571
Total gains or losses:	
Realized	328,059
Unrealized	197,808
Purchases	5,976,357
Sales	<u>(8,339,440)</u>
Ending balance at June 30, 2010	6,614,355
Total gains or losses:	
Realized	(1,165,623)
Unrealized	( 139,533)
Purchases	-
Sales	<u>( 112,132)</u>
Ending balance at June 30, 2011	\$ <u>5,197,067</u>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

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11. Pension Plans, Continued

Plan Assets, Continued

The System created a 401(k) plan effective January 1, 2004. All employees of the System who have reached age 21 and have completed one year of eligible service are eligible to participate in the employer matching program. Employees may deposit a portion of their earnings for each pay period on a pre-tax basis and the System matches 50% of each participant's voluntary contributions up to a maximum of 6% of the employee's annual salary. Matching contribution expenses for the years ended June 30, 2011 and 2010 totaled approximately \$2,800,000 and \$2,700,000, respectively. Discretionary contribution expense for the years ended June 30, 2011 and 2010 totaled approximately \$4,100,000 and \$3,900,000, respectively.

The System maintains an unfunded Supplemental Executive Retirement Plan ("SERP"), which provides retirement benefits to certain officers and select employees. This plan is non-qualified and does not have a minimum funding requirement. The liability for this SERP obligation is included as deferred compensation payable and the assets set aside as a reserve for this liability are included in Board designated assets limited as to use in the accompanying combined balance sheets.

12. Self-Insurance Claims

The System insures its professional and general liability on a claims-made basis through a commercial insurance carrier with a self-insured retention limit of \$7,000,000. At June 30, 2011, there are known claims and incidents that may result in additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The System has employed independent actuaries to assist in estimating the ultimate costs, if any, of settlement of such claims that are not covered by commercial insurance.

Accrued malpractice losses have been discounted at 4.25% for June 30, 2011 and 2010 and, in management's opinion, provide an adequate reserve for loss contingencies. The estimate of these potential claims is approximately \$18,900,000 and \$18,500,000 at June 30, 2011 and 2010, respectively, and is included in accrued self-insurance claims in the accompanying combined balance sheets. Management was not aware of any asserted or unasserted claims that exceed the System's insurance coverage as of June 30, 2011.

The System is self-insured with respect to workers compensation claims up to a self-insurance retention limit of \$450,000 per claim. Workers compensation claims in excess of the self-insurance retention limits are insured with a commercial insurance carrier on a claims-made basis. Management was not aware of any asserted or unasserted claims that exceed the System's excess workers compensation coverage as of June 30, 2011.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

12. Self-Insurance Claims, Continued

The System is self-insured with respect to employee health insurance claims. The System maintains reinsurance through a commercial excess coverage policy, which covers annual individual employee claims paid in excess of \$250,000. Reimbursement under this policy is limited to a lifetime maximum of \$2,000,000 per employee or dependent and \$2,000,000 per policy period. Under this self-insurance program, the System paid or accrued approximately \$12,600,000 and \$11,700,000 during the fiscal years ended June 30, 2011 and 2010, respectively.

13. Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors, net of contractual adjustments and estimated uncollectibles, for CH and SJH at June 30, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Medicare	31%	31%
Medicaid	8%	5%
Managed care	28%	25%
Commercial and other	12%	14%
Self-pay	<u>21%</u>	<u>25%</u>
 Total	 <u>100%</u>	 <u>100%</u>

At June 30, 2011, the System had deposits at major financial institutions which exceeded Federal Depository Insurance limits. Management believes the credit risks related to these deposits is minimal.

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national or at the state level. In 2010, legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the System.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

13. Concentrations of Credit Risk, Continued

The healthcare industry has recently been subjected to increased scrutiny from governmental agencies at both the national and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. The System has implemented a compliance plan focusing on such issues. There can be no assurance that the System will not be subjected to future investigations with accompanying monetary damages.

The System is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the System's future financial position or results from operations.

In January 2011, the Securities and Exchange Commission ("SEC") charged SJK Investment Management, LLC ("SJK"), one of the System's alternative investment managers, and the managing member of SJK with securities fraud. As a result, the United States District Court placed an asset freeze on the assets of SJK and its managing member. In February 2011, the United States District Court appointed a receiver for SJK with the responsibility to liquidate the funds of SJK. As of June 30, 2011, the System has written off approximately 15%, or \$5,300,000, of the value of SJK for amounts that have been deemed uncollectible based on correspondence from the receiver. The System believes that the remaining balance of its investment in SJK of \$29,200,000 as of June 30, 2011, is their best estimate of the amounts that they will recover upon final liquidation.

14. Functional Expenses

The System provides general health care services primarily to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>2011</u>	<u>2010</u>
Health care services	\$ 303,995,668	\$ 311,975,916
General and administrative	<u>98,822,732</u>	<u>103,449,112</u>
Total	<u>\$ 402,818,400</u>	<u>\$ 415,425,028</u>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

15. Fair Values Of Financial Instruments

The following methods and assumptions were used by the System in estimating the fair value of its financial instruments:

- Cash and cash equivalents: The carrying amount reported in the combined balance sheets for cash and cash equivalents approximates its fair value.
- Estimated third-party payor settlements: The carrying amount reported in the combined balance sheets for estimated third-party payor settlements approximates its fair value.
- Assets limited as to use: Fair values, which are the amounts reported in the combined balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.
- Derivative financial instruments: The carrying amount reported in the combined balance sheets for derivative financial instruments approximates its fair value.
- Accounts payable and accrued expenses: The carrying amount reported in the combined balance sheets for accounts payable and accrued expenses approximates its fair value.
- Long-term debt: The fair value of the System's long-term debt is estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the System's financial instruments at June 30, 2011 and 2010 are as follows:

	2011		2010	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 21,465,979	\$ 21,465,979	\$ 18,654,940	\$ 18,654,940
Estimated third party payor settlements	1,501,646	1,501,646	426,404	426,404
Assets limited as to use	136,535,317	136,535,317	144,645,949	144,645,949
Derivative financial instruments asset (liability)	2,992,076	2,992,076	( 8,768,595)	( 8,768,595)
Accounts payable and accrued expenses	44,125,535	44,125,535	44,930,938	44,930,938
Long-term debt	177,069,949	176,000,000	193,512,703	188,000,000

Continued

## ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

15. Fair Values Of Financial Instruments, Continued

Fair values of assets and liabilities measured on a recurring basis at June 30, 2011 and 2010 are as follows:

	Fair Value Measurements At June 30, 2011			
	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Cash and cash equivalents	\$ 9,213,607	\$ 9,213,607	\$ -	\$ -
U. S. Government and Agency obligations	15,715,161	12,977,808	2,737,353	-
Municipal obligations	2,684,340	2,684,340	-	-
Corporate bonds	12,691,029	7,685,448	5,005,581	-
Mutual funds – fixed income	21,481,084	21,481,084	-	-
Mutual funds – equity	14,847,974	14,847,974	-	-
Mutual funds – international equity	5,968,657	5,968,657	-	-
Equity securities – common stock	22,706,492	22,706,492	-	-
Equity securities – international	847,269	847,269	-	-
Alternative investments	30,379,704	-	-	30,379,704
Derivatives	2,992,076	-	2,992,076	-
Goodwill (nonrecurring)	47,944,645	-	-	47,944,645
<b>Total assets</b>	<b>\$ 187,472,038</b>	<b>\$ 98,412,679</b>	<b>\$ 10,735,010</b>	<b>\$ 78,324,349</b>

In accordance with the provisions of FASB ASC 350, *Intangibles – Goodwill and Other*, goodwill, with a carrying amount of approximately \$60,000,000, was written down to its implied fair value of approximately \$48,000,000. This resulted in an impairment charge of approximately \$12,000,000, which was included in changes in net assets for the period.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

15. Fair Values Of Financial Instruments, Continued

		Fair Value Measurements At June 30, 2010		
	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Cash and cash equivalents	\$ 29,150,363	\$ 29,150,363	\$ -	\$ -
U. S. Government and Agency obligations	15,262,553	13,151,258	2,111,295	-
Municipal obligations	2,684,340	2,684,340	-	-
Corporate bonds	9,167,587	4,836,515	4,331,072	-
Mutual funds – fixed income	20,490,204	20,490,204	-	-
Mutual funds – equity	13,025,354	13,025,354	-	-
Mutual funds – international equity	4,377,581	4,377,581	-	-
Equity securities – common stock	20,548,081	20,548,081	-	-
Equity securities – international	694,774	694,774	-	-
Alternative investments	<u>29,245,112</u>	<u>-</u>	<u>-</u>	<u>29,245,112</u>
Total assets	<u>\$ 144,645,949</u>	<u>\$ 108,958,470</u>	<u>\$ 6,442,367</u>	<u>\$ 29,245,112</u>
<b>Liabilities:</b>				
Derivatives	\$ <u>8,768,595</u>	\$ <u>-</u>	\$ <u>8,768,595</u>	\$ <u>-</u>

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Financial assets using level 3 inputs were primarily valued using market values of underlying assets held by the limited partnership. The limited partnership invests in a variety of securities and financial instruments, some of which do not have readily available market prices. In the absence of readily available market prices, the fair values are estimated by the investment managers of those investment funds. Estimated values may differ from the values that would have been used if readily available market prices existed or if the investments were liquidated at the valuation date. Valuation techniques utilized to determine fair value are consistently applied. These valuation techniques also apply to financial assets held in the Defined Benefit Pension Plan as discussed in Note 11.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

15. Fair Values Of Financial Instruments, Continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>Alternative Investments</u>
Beginning balance at July 1, 2009	\$ 24,715,548
Total gains or losses (realized/unrealized):	
Included in revenue and gains in excess of expenses and losses	( 741,882)
Included in net assets	892,351
Purchases	23,037,720
Sales	<u>(18,658,625)</u>
Ending balance at June 30, 2010	29,245,112
Total gains or losses (realized/unrealized):	
Included in revenue and gains in excess (deficient) of expense and losses	( 5,378,045)
Included in net assets	862
Purchases	6,646,703
Sales	<u>( 134,928)</u>
Ending balance at June 30, 2011	<u>\$ 30,379,704</u>

16. Commitments and Contingencies

The System leases buildings and equipment under lease agreements which do not meet the criteria for capitalization. Total rental expense under such leases with nonaffiliates was approximately \$4,000,000 and \$3,900,000 for the years ended June 30, 2011 and 2010, respectively. Minimum future rentals on existing noncancelable leases for building and equipment from nonaffiliates as of June 30, 2011 are estimated to be as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 2,307,884
2013	705,974
2014	551,644
2015	258,869
2016	191,508
Thereafter	<u>205,343</u>
Total	<u>\$ 4,221,222</u>

## INDEPENDENT AUDITOR'S REPORT ON COMBINING INFORMATION

Board of Trustees  
St. Joseph's/Candler Health System, Inc.  
Savannah, Georgia

We have audited the combined financial statements of St. Joseph's/Candler Health System, Inc. as of and for the years ended June 30, 2011 and 2010, and our report thereon dated October 20, 2011, which expressed an unqualified opinion on those combined financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information included in this report on pages 47 to 66, inclusive, is presented for purposes of additional analysis of the combined financial statements rather than to present the combining balance sheets, combining statements of excess revenues (expenses) and combining statements of cash flows of the individual entities, and is not a required part of the combined financial statements. Accordingly, we do not express an opinion on the financial position, results of the combining statements of excess revenues (expenses), and the combining statements of cash flows.

The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements taken a whole.

*Draggin & Tucker, LLP*  
Albany, Georgia  
October 20, 2011

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS

June 30, 2011

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 19,957,821	\$ 4,548	\$ 7,297	\$ 139,647	\$ 119,255
Assets limited as to use required for current liabilities	1,965,456	780,459	407,293	-	-
Patient accounts receivable, net	-	22,903,507	23,737,051	337,499	955,154
Other receivables	504,159	2,878,568	190,089	312,370	97,858
Due from affiliates	-	-	88,553,842	-	-
Inventories	-	3,880,306	5,076,535	-	-
Prepaid expenses	1,754,572	347,316	407,203	24,221	26,730
Estimated third-party payor settlements	-	1,057,994	460,328	(27,041)	10,365
Total current assets	<u>24,182,008</u>	<u>31,852,698</u>	<u>118,839,638</u>	<u>786,696</u>	<u>1,209,362</u>
Assets limited as to use:					
Held in trust under bond indenture	3,477,687	-	-	-	-
Restricted under interest rate swap agreement and deferred compensation agreement	1,740,032	382,106	2,226,344	-	-
Board designated	<u>91,563,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,004,610</u>
Total assets limited as to use	<u>96,781,469</u>	<u>382,106</u>	<u>2,226,344</u>	<u>-</u>	<u>3,004,610</u>
Property and equipment, net	<u>8,165,027</u>	<u>65,257,633</u>	<u>38,317,612</u>	<u>247,128</u>	<u>5,044,020</u>
Derivative financial instruments	<u>735,693</u>	<u>1,310,119</u>	<u>679,698</u>	<u>-</u>	<u>-</u>
Other assets:					
Investments in affiliates	187,398,712	-	-	-	-
Long-term investments	-	1,428,822	219,687	6,910	14,790
Goodwill	-	-	-	-	141,000
Beneficial interest in net assets of Foundations	-	4,707,601	1,947,485	-	-
Deferred financing costs, net	<u>1,385,424</u>	<u>891,936</u>	<u>459,291</u>	<u>-</u>	<u>-</u>
Total other assets	<u>188,784,136</u>	<u>7,028,359</u>	<u>2,626,463</u>	<u>6,910</u>	<u>155,790</u>
Total assets	<b>\$ 318,648,333</b>	<b>\$ 105,830,915</b>	<b>\$ 162,689,755</b>	<b>\$ 1,040,734</b>	<b>\$ 9,413,782</b>

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ -	\$ 27,791	\$ 44,299	\$ 439,176	\$ 726,145	\$ 21,465,979	\$ -	\$ 21,465,979
1,943,880	-	-	-	-	5,097,088	-	5,097,088
-	-	1,007,182	95,896	-	49,036,289	-	49,036,289
118,240	32,990	448,258	237,450	-	4,819,982	-	4,819,982
-	-	-	-	-	88,553,842	( 88,553,842)	-
-	49,005	-	-	-	9,005,846	-	9,005,846
1,597	-	54,524	-	1,545	2,617,708	-	2,617,708
-	-	-	-	-	1,501,646	-	1,501,646
<u>2,063,717</u>	<u>109,786</u>	<u>1,554,263</u>	<u>772,522</u>	<u>727,690</u>	<u>182,098,380</u>	<u>( 88,553,842)</u>	<u>93,544,538</u>
-	-	-	-	-	3,477,687	-	3,477,687
-	-	-	-	-	4,348,482	-	4,348,482
-	-	-	-	<u>29,043,700</u>	<u>123,612,060</u>	-	<u>123,612,060</u>
-	-	-	-	<u>29,043,700</u>	<u>131,438,229</u>	-	<u>131,438,229</u>
<u>10,743,883</u>	<u>10,882</u>	<u>18,657,550</u>	<u>3,700,303</u>	<u>-</u>	<u>150,144,038</u>	<u>-</u>	<u>150,144,038</u>
<u>266,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,992,076</u>	<u>-</u>	<u>2,992,076</u>
-	-	-	-	-	187,398,712	(187,398,712)	-
855	1,348	-	-	-	1,672,412	-	1,672,412
-	-	47,803,645	-	-	47,944,645	-	47,944,645
-	-	-	-	-	6,655,086	-	6,655,086
<u>189,928</u>	<u>-</u>	<u>240,971</u>	<u>-</u>	<u>-</u>	<u>3,167,550</u>	<u>-</u>	<u>3,167,550</u>
<u>190,783</u>	<u>1,348</u>	<u>48,044,616</u>	<u>-</u>	<u>-</u>	<u>246,838,405</u>	<u>(187,398,712)</u>	<u>59,439,693</u>
<u>\$ 13,264,949</u>	<u>\$ 122,016</u>	<u>\$ 68,256,429</u>	<u>\$ 4,472,825</u>	<u>\$ 29,771,390</u>	<u>\$ 713,511,128</u>	<u>\$ (275,952,554)</u>	<u>\$ 437,558,574</u>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued  
June 30, 2011

	<u>St. Joseph's/ Candler Health System</u>	<u>Candler Hospital</u>	<u>St. Joseph's Hospital</u>	<u>SJC Home Health</u>	<u>SJC Medical Group</u>
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Current maturities of long-term debt	\$ 971,447	\$ 3,034,550	\$ 1,559,438	\$ -	\$ -
Accounts payable	2,084,117	4,363,875	4,824,315	285,216	183,286
Accrued employee related expenses	11,804,135	4,894,100	3,864,560	286,644	261,841
Other accrued expenses	2,669,732	4,179,370	1,874,129	-	74,819
Due to affiliates	<u>71,297,521</u>	<u>17,256,321</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	88,826,952	33,728,216	12,122,442	571,860	519,946
Long-term debt, excluding current maturities	38,830,993	45,338,739	23,551,492	-	-
Accrued self-insurance claims	260,591	-	-	-	-
Accrued pension cost	25,855,648	-	-	-	-
Deferred compensation payable	-	382,106	2,226,344	-	3,876,134
Collateral held under interest rate swap agreement	1,740,000	-	-	-	-
Derivative financial instruments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>155,514,184</u>	<u>79,449,061</u>	<u>37,900,278</u>	<u>571,860</u>	<u>4,396,080</u>
Net assets:					
Common stock	-	-	-	-	500
Unrestricted net assets	163,134,149	22,135,663	123,394,337	468,874	5,017,202
Temporarily restricted net assets	-	3,286,191	1,295,140	-	-
Permanently restricted net assets	<u>-</u>	<u>960,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Total net assets	<u>163,134,149</u>	<u>26,381,854</u>	<u>124,789,477</u>	<u>468,874</u>	<u>5,017,702</u>
Total liabilities and net assets	<u>\$ 318,648,333</u>	<u>\$ 105,830,915</u>	<u>\$ 162,689,755</u>	<u>\$ 1,040,734</u>	<u>\$ 9,413,782</u>

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ 1,407,320	\$ -	\$ 6,000,000	\$ -	\$ -	\$ 12,972,755	\$ -	\$ 12,972,755
37,935	24,522	299,147	114,746	65,710	12,282,869	-	12,282,869
5,880	461,818	321,386	198,902	-	22,099,266	-	22,099,266
548,755	118,134	238,226	-	40,235	9,743,400	-	9,743,400
-	-	-	-	-	<u>88,553,842</u>	( 88,553,842)	-
1,999,890	604,474	6,858,759	313,648	105,945	145,652,132	( 88,553,842)	57,098,290
12,875,970	-	43,500,000	-	-	164,097,194	-	164,097,194
-	-	-	-	18,888,118	19,148,709	-	19,148,709
-	-	-	-	-	25,855,648	-	25,855,648
-	-	-	-	-	6,484,584	-	6,484,584
-	-	-	-	-	1,740,000	-	1,740,000
-	-	-	-	-	-	-	-
<u>14,875,860</u>	<u>604,474</u>	<u>50,358,759</u>	<u>313,648</u>	<u>18,994,063</u>	<u>362,978,267</u>	( 88,553,842)	<u>274,424,425</u>
500	165,000	-	-	120,000	286,000	( 286,000)	-
( 1,611,411)	(647,458)	17,897,670	4,159,177	10,657,327	344,605,530	(187,112,712)	157,492,818
-	-	-	-	-	4,581,331	-	4,581,331
-	-	-	-	-	1,060,000	-	1,060,000
( 1,610,911)	(482,458)	<u>17,897,670</u>	<u>4,159,177</u>	<u>10,777,327</u>	<u>350,532,861</u>	(187,398,712)	<u>163,134,149</u>
\$ <u>13,264,949</u>	\$ <u>122,016</u>	\$ <u>68,256,429</u>	\$ <u>4,472,825</u>	\$ <u>29,771,390</u>	\$ <u>713,511,128</u>	\$ (275,952,554)	\$ <u>437,558,574</u>

See accompanying independent auditors' report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS  
June 30, 2010

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 14,667,886	\$ 4,496	\$ 7,248	\$ 268,211	\$ 137,519
Assets limited as to use required for current liabilities	1,975,909	4,124,632	2,112,151	-	-
Patient accounts receivable, net	-	21,546,756	23,537,973	385,504	941,522
Other receivables	515,158	1,808,591	86,204	-	59,506
Due from affiliates	-	-	86,936,740	-	-
Inventories	-	3,670,329	4,111,267	-	-
Prepaid expenses	2,766,564	357,913	261,361	55,188	117,621
Estimated third-party payor settlements	-	177,836	267,164	( 27,041)	8,445
Total current assets	<u>19,925,517</u>	<u>31,690,553</u>	<u>117,320,108</u>	<u>681,862</u>	<u>1,264,613</u>
Assets limited as to use:					
Held in trust under bond indenture	3,321,696	-	-	-	-
Restricted under interest rate swap agreement and deferred compensation agreement	10,046,509	313,603	1,761,994	-	-
Board designated	<u>88,515,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,295,413</u>
Total assets limited as to use	<u>101,883,673</u>	<u>313,603</u>	<u>1,761,994</u>	<u>-</u>	<u>2,295,413</u>
Property and equipment, net	<u>8,486,195</u>	<u>50,988,846</u>	<u>40,483,903</u>	<u>297,085</u>	<u>5,337,090</u>
Other assets:					
Investments in affiliates	186,779,045	-	-	-	-
Long-term investments	-	1,538,109	219,688	6,910	27,781
Goodwill	-	-	-	-	101,000
Beneficial interest in net assets of Foundations	-	4,548,929	2,560,834	-	-
Deferred financing costs, net	<u>1,449,589</u>	<u>820,546</u>	<u>422,665</u>	<u>-</u>	<u>-</u>
Total other assets	<u>188,228,634</u>	<u>6,907,584</u>	<u>3,203,187</u>	<u>6,910</u>	<u>128,781</u>
Total assets	<u>\$ 318,524,019</u>	<u>\$ 89,900,586</u>	<u>\$ 162,769,192</u>	<u>\$ 985,857</u>	<u>\$ 9,025,897</u>

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ -	\$ 48,630	\$ 2,598,284	\$ 379,193	\$ 543,473	\$ 18,654,940	\$ -	\$ 18,654,940
1,914,564	-	-	-	-	10,127,256	-	10,127,256
-	-	1,409,436	68,630	-	47,889,821	-	47,889,821
189,325	24,124	306,241	242,599	-	3,231,748	-	3,231,748
-	-	-	-	-	86,936,740	( 86,936,740)	-
-	48,285	-	-	-	7,829,881	-	7,829,881
34,452	6,292	116,613	1,376	8,250	3,725,630	-	3,725,630
-	-	-	-	-	426,404	-	426,404
<u>2,138,341</u>	<u>127,331</u>	<u>4,430,574</u>	<u>691,798</u>	<u>551,723</u>	<u>178,822,420</u>	<u>( 86,936,740)</u>	<u>91,885,680</u>
-	-	-	-	-	3,321,696	-	3,321,696
-	-	-	-	-	12,122,106	-	12,122,106
-	-	-	-	<u>28,264,010</u>	<u>119,074,891</u>	-	<u>119,074,891</u>
-	-	-	-	<u>28,264,010</u>	<u>134,518,693</u>	-	<u>134,518,693</u>
<u>28,879,046</u>	<u>29,492</u>	<u>17,754,375</u>	<u>3,827,523</u>	<u>-</u>	<u>156,083,555</u>	<u>-</u>	<u>156,083,555</u>
-	-	-	-	-	186,779,045	(186,779,045)	-
4,080	1,348	-	-	-	1,797,916	-	1,797,916
-	5,200,000	54,261,790	-	-	59,562,790	-	59,562,790
-	-	-	-	-	7,109,763	-	7,109,763
<u>216,384</u>	<u>-</u>	<u>270,953</u>	<u>-</u>	<u>-</u>	<u>3,180,137</u>	<u>-</u>	<u>3,180,137</u>
<u>220,464</u>	<u>5,201,348</u>	<u>54,532,743</u>	<u>-</u>	<u>-</u>	<u>258,429,651</u>	<u>(186,779,045)</u>	<u>71,650,606</u>
<u>\$ 31,237,851</u>	<u>\$ 5,358,171</u>	<u>\$ 76,717,692</u>	<u>\$ 4,519,321</u>	<u>\$ 28,815,733</u>	<u>\$ 727,854,319</u>	<u>\$ (273,715,785)</u>	<u>\$ 454,138,534</u>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued  
June 30, 2010

	<u>St. Joseph's/ Candler Health System</u>	<u>Candler Hospital</u>	<u>St. Joseph's Hospital</u>	<u>SJC Home Health</u>	<u>SJC Medical Group</u>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities:</b>					
Current maturities of long-term debt	\$ 941,447	\$ 2,768,910	\$ 1,409,245	\$ -	\$ -
Accounts payable	2,427,972	3,699,373	6,334,467	220,014	130,558
Accrued employee related expenses	12,543,850	4,901,595	4,089,567	300,862	273,509
Other accrued expenses	2,565,954	3,530,662	1,886,611	15,274	141,122
Due to affiliates	<u>77,594,918</u>	<u>9,228,432</u>	-	-	-
Total current liabilities	96,074,141	24,128,972	13,719,890	536,150	545,189
Long-term debt, excluding current maturities	39,802,440	51,023,403	26,466,649	-	-
Accrued self-insurance claims	458,271	-	-	-	-
Accrued pension cost	30,168,037	-	-	-	-
Deferred compensation payable	-	313,603	1,761,994	-	3,476,134
Derivative financial instruments	( 220,291)	<u>5,977,473</u>	<u>3,096,261</u>	-	-
Total liabilities	<u>166,282,598</u>	<u>81,443,451</u>	<u>45,044,794</u>	<u>536,150</u>	<u>4,021,323</u>
Net assets:					
Common stock	-	-	-	-	500
Unrestricted net assets	152,241,421	4,254,236	116,142,866	449,707	5,004,074
Temporarily restricted net assets	-	3,242,899	1,481,532	-	-
Permanently restricted net assets	-	960,000	100,000	-	-
Total net assets	<u>152,241,421</u>	<u>8,457,135</u>	<u>117,724,398</u>	<u>449,707</u>	<u>5,004,574</u>
Total liabilities and net assets	<u>\$ 318,524,019</u>	<u>\$ 89,900,586</u>	<u>\$ 162,769,192</u>	<u>\$ 985,857</u>	<u>\$ 9,025,897</u>

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ 1,317,320 98,021 5,774 577,375 -	\$ - 65,677 84,754 112,778 -	\$ 6,000,000 172,061 213,752 165,368 -	\$ - 99,375 208,693 - -	\$ - 34,655 - 31,265 113,390	\$ 12,436,922 13,282,173 22,622,356 9,026,409 86,936,740	\$ - - - - ( 86,936,740)	\$ 12,436,922 13,282,173 22,622,356 9,026,409 -
1,998,490	263,209	6,551,181	308,068	179,310	144,304,600	( 86,936,740)	57,367,860
14,283,289 - - - ( 84,848)	- - - -	49,500,000 - - - -	- 18,506,836 - - -	- 181,075,781 18,965,107 30,168,037 5,551,731 8,768,595	- - - - -	- 181,075,781 18,965,107 30,168,037 5,551,731 8,768,595	
<u>16,196,931</u>	<u>263,209</u>	<u>56,051,181</u>	<u>308,068</u>	<u>18,686,146</u>	<u>388,833,851</u>	<u>( 86,936,740)</u>	<u>301,897,111</u>
500 15,040,420 - -	165,000 4,929,962 - -	- 20,666,511 - -	- 4,211,253 - -	120,000 10,009,587 - -	286,000 332,950,037 4,724,431 1,060,000	( 286,000) (186,493,045) - -	- 146,456,992 4,724,431 1,060,000
<u>15,040,920</u>	<u>5,094,962</u>	<u>20,666,511</u>	<u>4,211,253</u>	<u>10,129,587</u>	<u>339,020,468</u>	<u>(186,779,045)</u>	<u>152,241,423</u>
<u>\$ 31,237,851</u>	<u>\$ 5,358,171</u>	<u>\$ 76,717,692</u>	<u>\$ 4,519,321</u>	<u>\$ 28,815,733</u>	<u>\$ 727,854,319</u>	<u>\$ (273,715,785)</u>	<u>\$ 454,138,534</u>

See accompanying independent auditors' report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES)  
June 30, 2011

	St. Joseph's/ Candler <u>Health System</u>	Candler <u>Hospital</u>	St. Joseph's <u>Hospital</u>	SJC Home <u>Health</u>	SJC Medical <u>Group</u>
Unrestricted revenues, gains and other support:					
Patient service revenue (net of contractual allowance and discounts)	\$ -	\$ 204,124,686	\$ 202,011,813	\$ 8,840,203	\$ 9,478,060
Provision for bad debts	_____	( 27,152,851)	( 19,932,007)	( 52,941)	( 631,049)
Net patient service revenue	-	176,971,835	182,079,806	8,787,262	8,847,011
Other revenue	_____	<u>14,128,230</u>	<u>3,845,781</u>	<u>—</u>	<u>723,991</u>
Total unrestricted revenues, gains and other support	_____	<u>191,100,065</u>	<u>185,925,587</u>	<u>8,787,262</u>	<u>9,571,002</u>
Expenses:					
Salaries and wages	-	73,632,277	64,227,969	4,608,779	7,012,061
Employee benefits	-	17,371,638	15,116,917	737,875	1,769,413
Physician and professional fees	-	8,708,984	7,881,129	799,139	239,660
Materials and supplies	-	44,649,836	58,994,210	208,188	668,379
Purchased services	-	14,753,354	9,167,616	32,701	803,607
Insurance	-	1,394,131	1,481,233	569	139,148
Interest	-	4,572,457	2,569,949	-	78,859
Depreciation and amortization	-	9,899,238	8,901,006	96,232	349,608
Other	_____	<u>12,186,104</u>	<u>9,707,596</u>	<u>953,748</u>	<u>1,571,295</u>
Total expenses	_____	<u>187,168,019</u>	<u>178,047,625</u>	<u>7,437,231</u>	<u>12,632,030</u>
Income (loss) from operations	_____	<u>3,932,046</u>	<u>7,877,962</u>	<u>1,350,031</u>	<u>( 3,061,028)</u>
Other income:					
Investment income (loss)	-	( 389,394)	( 2,267,397)	878	95,148
Change in fair value of derivative instruments	-	937,770	618,353	-	-
Gain on investments in affiliates	<u>10,690,653</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other income (loss), net	<u>10,690,653</u>	<u>548,376</u>	<u>( 1,649,044)</u>	<u>878</u>	<u>95,148</u>
Revenues and gains in excess (deficient) of expenses and losses	\$ <u>10,690,653</u>	\$ <u>4,480,422</u>	\$ <u>6,228,918</u>	\$ <u>1,350,909</u>	\$ <u>( 2,965,880)</u>

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ -	\$ -	\$ 12,831,662 ( 784,022)	\$ 3,457,520 - - -	\$ - - - -	\$ 440,743,944 ( 48,552,870)	\$ - - - -	\$ 440,743,944 ( 48,552,870)
-	-	12,047,640	3,457,520	-	392,191,074	-	392,191,074
3,693,138	5,027,326	2,527,517	159,062	1,602,066	31,707,111	( 9,559,366)	22,147,745
3,693,138	5,027,326	14,575,157	3,616,582	1,602,066	423,898,185	( 9,559,366)	414,338,819
122,361	2,962,890	3,798,442	1,604,231	-	157,969,010	-	157,969,010
19,569	257,404	714,994	443,115	-	36,430,925	-	36,430,925
21,421	2,282	5,038,220	496,828	166,429	23,354,092	( 4,797,170)	18,556,922
3,094	52,582	171,068	122,490	-	104,869,847	-	104,869,847
252,283	1,708	244,978	82,332	-	25,338,579	( 912,902)	24,425,677
4,817	21,104	36,796	-	1,577,738	4,655,536	( 1,602,066)	3,053,470
330,719	113,934	1,222,600	-	-	8,888,518	-	8,888,518
1,209,567	21,166	1,115,166	127,220	-	21,719,203	-	21,719,203
1,724,224	150,723	2,457,726	396,145	4,495	29,152,056	( 2,247,228)	26,904,828
3,688,055	3,583,793	14,799,990	3,272,361	1,748,662	412,377,766	( 9,559,366)	402,818,400
5,083	1,443,533	( 224,833)	344,221	( 146,596)	11,520,419	- - -	11,520,419
285,371	-	-	-	( 292,213)	( 2,567,607)	-	( 2,567,607)
181,718	-	-	-	-	1,737,841	-	1,737,841
-	-	-	-	-	10,690,653	(10,690,653)	- - -
467,089	-	-	-	( 292,213)	9,860,887	(10,690,653)	( 829,766)
\$ 472,172	\$ 1,443,533	\$( 224,833)	\$ 344,221	\$( 438,809)	\$ 21,381,306	\$ (10,690,653)	\$ 10,690,653

See accompanying independent auditor's report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES)  
June 30, 2010

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Unrestricted revenues, gains and other support:					
Patient service revenue (net of contractual allowance and discounts)	\$ -	\$ 202,859,039	\$ 209,031,139	\$ 8,616,860	\$ 10,555,767
Provision for bad debts	<u>-</u>	<u>( 24,074,883)</u>	<u>( 18,800,436)</u>	<u>( 33,253)</u>	<u>( 883,014)</u>
Net patient service revenue	-	178,784,156	190,230,703	8,583,607	9,672,753
Other revenue	<u>-</u>	<u>13,730,384</u>	<u>4,026,375</u>	<u>5</u>	<u>788,496</u>
Total unrestricted revenues, gains and other support	<u>-</u>	<u>192,514,540</u>	<u>194,257,078</u>	<u>8,583,612</u>	<u>10,461,249</u>
Expenses:					
Salaries and wages	-	75,898,368	67,458,315	4,384,791	7,799,980
Employee benefits	-	17,667,355	15,299,570	656,892	1,745,022
Physician and professional fees	-	8,437,759	7,542,119	1,133,948	263,464
Materials and supplies	-	43,264,105	61,562,391	207,658	724,294
Purchased services	-	14,126,800	9,633,807	77,237	923,302
Insurance	-	1,908,403	1,938,602	-	217,819
Interest	-	5,636,822	3,252,364	-	89,708
Depreciation and amortization	-	10,302,951	10,613,113	106,404	337,412
Other	<u>-</u>	<u>12,212,621</u>	<u>10,082,310</u>	<u>922,214</u>	<u>1,694,251</u>
Total expenses	<u>-</u>	<u>189,455,184</u>	<u>187,382,591</u>	<u>7,489,144</u>	<u>13,795,252</u>
Income (loss) from operations	<u>-</u>	<u>3,059,356</u>	<u>6,874,487</u>	<u>1,094,468</u>	<u>( 3,334,003)</u>
Other income:					
Investment income (loss)	-	868,157	1,937,051	715	( 268,313)
Change in fair value of derivative instruments	-	<u>( 1,171,115)</u>	<u>( 301,922)</u>	<u>-</u>	<u>-</u>
Gain on investments in affiliates	<u>11,354,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other income (loss), net	<u>11,354,600</u>	<u>( 302,958)</u>	<u>1,635,129</u>	<u>715</u>	<u>( 268,313)</u>
Revenues and gains in excess (deficient) of expenses and losses	\$ <u>11,354,600</u>	\$ <u>2,756,398</u>	\$ <u>8,509,616</u>	\$ <u>1,095,183</u>	\$ <u>( 3,602,316)</u>

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ -	\$ -	\$ 11,670,686 ( 576,765)	\$ 3,481,055 - -	\$ - - -	\$ 446,214,546 ( 44,368,351)	\$ ( 229,090) - -	\$ 445,985,456 ( 44,368,351)
-	-	11,093,921	3,481,055	-	401,846,195	( 229,090)	401,617,105
<u>5,325,097</u>	<u>4,628,878</u>	<u>1,793,396</u>	<u>141,987</u>	<u>2,438,424</u>	<u>32,873,042</u>	<u>(10,667,580)</u>	<u>22,205,462</u>
<u>5,325,097</u>	<u>4,628,878</u>	<u>12,887,317</u>	<u>3,623,042</u>	<u>2,438,424</u>	<u>434,719,237</u>	<u>(10,896,670)</u>	<u>423,822,567</u>
122,020	2,621,941	3,253,072	1,681,372	-	163,219,859	-	163,219,859
19,294	189,396	674,177	404,006	-	36,655,712	-	36,655,712
24,370	9,302	4,867,970	509,429	173,491	22,961,852	( 4,683,240)	18,278,612
4,624	37,588	190,252	130,379	-	106,121,291	-	106,121,291
448,432	4,285	273,026	75,256	-	25,562,145	( 940,109)	24,622,036
2,436	35,662	75,214	-	1,961,245	6,139,381	( 2,438,424)	3,700,957
685,006	144,996	1,555,920	-	-	11,364,816	-	11,364,816
1,838,746	21,041	1,282,616	129,131	-	24,631,414	-	24,631,414
<u>2,116,500</u>	<u>18,323</u>	<u>2,234,400</u>	<u>379,781</u>	<u>4,828</u>	<u>29,665,228</u>	<u>( 2,834,897)</u>	<u>26,830,331</u>
<u>5,261,428</u>	<u>3,082,534</u>	<u>14,406,647</u>	<u>3,309,354</u>	<u>2,139,564</u>	<u>426,321,698</u>	<u>(10,896,670)</u>	<u>415,425,028</u>
<u>63,669</u>	<u>1,546,344</u>	<u>( 1,519,330)</u>	<u>313,688</u>	<u>298,860</u>	<u>8,397,539</u>	<u>- -</u>	<u>8,397,539</u>
58,010	( 16,379)	( 45,740)	135	1,384,212	3,917,848	-	3,917,848
512,250	-	-	-	-	( 960,787)	-	( 960,787)
<u>570,260</u>	<u>( 16,379)</u>	<u>( 45,740)</u>	<u>135</u>	<u>1,384,212</u>	<u>14,311,661</u>	<u>(11,354,600)</u>	<u>2,957,061</u>
<u>\$ 633,929</u>	<u>\$ 1,529,965</u>	<u>\$ ( 1,565,070)</u>	<u>\$ 313,823</u>	<u>\$ 1,683,072</u>	<u>\$ 22,709,200</u>	<u>\$ (11,354,600)</u>	<u>\$ 11,354,600</u>

See accompanying independent auditor's report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENT OF CASH FLOWS

June 30, 2011

	<u>St. Joseph's/ Candler Health System</u>	<u>Candler Hospital</u>	<u>St. Joseph's Hospital</u>	<u>SJC Home Health</u>	<u>SJC Medical Group</u>
<b>Cash flows from operating activities:</b>					
Increase (decrease) in net assets	\$ 10,892,728	\$ 17,924,719	\$ 7,065,079	\$ 19,167	\$ 13,128
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Change in fair value of derivative instruments	( 515,402)	( 685,222)	( 355,499)	-	-
Beneficial interest in net assets of Foundations, net	-	( 158,672)	613,349	-	-
Net realized and unrealized gains on investments other than trading securities	( 1,288,717)	-	-	-	(387,489)
(Increase) decrease in goodwill valuation	-	-	-	-	( 40,000)
Depreciation and amortization	-	9,899,238	8,901,006	96,232	349,608
Contributions for property	( 974,856)	( 347,800)	-	-	-
Changes in:					
Patient accounts receivable	-	( 1,356,751)	( 199,078)	48,005	( 13,632)
Other receivables	10,999	( 1,069,977)	( 103,885)	(312,370)	( 38,352)
Inventories	-	( 209,977)	( 965,268)	-	-
Prepaid expenses	1,011,992	10,597	( 145,842)	30,967	90,891
Estimated third-party payor settlements	-	( 880,158)	( 193,164)	-	( 1,920)
Accounts payable	( 343,855)	664,502	( 1,510,152)	65,202	52,728
Accrued liabilities	( 635,937)	641,213	( 237,489)	( 29,492)	( 77,971)
Accrued self-insurance claims	( 197,680)	-	-	-	-
Accrued pension costs, net	( 4,312,389)	-	-	-	-
Deferred compensation payable	-	<u>68,503</u>	<u>464,350</u>	-	<u>400,000</u>
Net cash provided by (used in) operating activities	<u>3,646,883</u>	<u>24,500,215</u>	<u>13,333,407</u>	<u>( 82,289)</u>	<u>346,991</u>

SJC Properties	SJC Health Services	Cancer Care Pavilion	Georgia Infirmary	Geechee Reinsurance	Totals	Eliminations	Combined Totals
\$(16,651,831)	\$(5,577,420)	\$(2,768,841)	\$( 52,076)	\$ 647,740	\$ 11,512,393	\$( 619,667)	\$ 10,892,726
( 181,718)	-	-	-	-	( 1,737,841)	-	( 1,737,841)
-	-	-	-	-	454,677	-	454,677
-	-	-	-	(314,401)	( 1,990,607)	-	( 1,990,607)
1,209,567	5,200,000 21,166	6,458,145 1,115,166	- 127,220	- -	11,618,145 21,719,203	- -	11,618,145 21,719,203
-	-	( 220,000)	-	-	( 1,542,656)	-	( 1,542,656)
71,085	( 8,866)	402,254 ( 142,017)	( 27,266) 5,149	- -	( 1,146,468) ( 1,588,234)	- -	( 1,146,468) ( 1,588,234)
-	( 720)	-	-	-	( 1,175,965)	-	( 1,175,965)
32,855	6,292	62,089	1,376	6,705	1,107,922	-	1,107,922
( 60,086)	( 41,155)	-	-	-	( 1,075,242)	-	( 1,075,242)
( 28,514)	382,420	127,086 180,492	15,371 ( 9,791)	31,055 8,970	( 999,304) 193,901	-	( 999,304) 193,901
-	-	-	-	381,282	183,602	-	183,602
-	-	-	-	-	( 4,312,389)	-	( 4,312,389)
-	-	-	-	-	932,853	-	932,853
(15,608,642)	( 18,283)	5,214,374	59,983	761,351	32,153,990	( 619,667)	31,534,323

### Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENT OF CASH FLOWS, Continued  
June 30, 2011

	<u>St. Joseph's/ Candler Health System</u>	<u>Candler Hospital</u>	<u>St. Joseph's Hospital</u>	<u>SJC Home Health</u>	<u>SJC Medical Group</u>
<b>Cash flows from investing activities.</b>					
Purchases of property and equipment	\$ 371,603	\$( 8,764,898)	\$( 5,434,515)	\$( 46,275)	\$( 56,538)
Proceeds from sale of assets limited as to use	52,034,587	25,109,413	12,903,631	-	1,520
Purchases of assets limited as to use	(45,633,213)	(21,833,742)	(11,663,123)	-	(323,228)
Proceeds from pledged collateral for swaps	1,740,000	-	-	-	-
Payments on interest rate swap	-	( 6,602,370)	( 3,420,460)	-	-
Investment in affiliates	( 619,667)	-	-	-	-
Sales of long-term investments, net	-	<u>109,287</u>	<u>1</u>	-	<u>12,991</u>
Net cash provided by (used in) investing activities	<u>7,893,310</u>	<u>(11,982,310)</u>	<u>( 7,614,466)</u>	<u>( 46,275)</u>	<u>(365,255)</u>
<b>Cash flows from financing activities.</b>					
Repayment of long-term debt	( 941,448)	(23,671,524)	(12,152,464)	-	-
Proceeds from issuance of long-term debt	-	18,252,500	9,387,500	-	-
Contributions for property	974,856	347,800	-	-	-
Transfers of property	13,731	(15,474,518)	( 1,336,826)	-	-
Transfers from (to) affiliates, net	( 6,297,397)	<u>8,027,889</u>	<u>( 1,617,102)</u>	-	-
Net cash provided by (used in) financing activities	<u>( 6,250,258)</u>	<u>(12,517,853)</u>	<u>( 5,718,892)</u>	-	-
Net increase (decrease) in cash and cash equivalents	5,289,935	52	49	(128,564)	( 18,264)
Cash and cash equivalents, beginning of year	<u>14,667,886</u>	<u>4,496</u>	<u>7,248</u>	<u>268,211</u>	<u>137,519</u>
Cash and cash equivalents, end of year	<u>\$ 19,957,821</u>	<u>\$ 4,548</u>	<u>\$ 7,297</u>	<u>\$ 139,647</u>	<u>\$ 119,255</u>

SJC Properties	SJC Health Services	Cancer Care Pavilion	Georgia Infirmary	Geechee Reinsurance	Totals	Eliminations	Combined Totals
\$ 154,439	\$ -	\$(1,990,915)	\$ -	\$ -	\$( 15,767,099)	\$ -	\$( 15,767,099)
2,333,884	-	-	-	19,965,620	112,348,655	-	112,348,655
( 2,363,201)	-	-	-	(20,430,909)	(102,247,416)	-	(102,247,416)
-	-	-	-	-	1,740,000	-	1,740,000
-	-	-	-	-	( 10,022,830)	-	( 10,022,830)
-	-	-	-	-	( 619,667)	619,667	-
3,225	-	-	-	-	125,504	-	125,504
<u>128,347</u>	<u>-</u>	<u>(1,990,915)</u>	<u>-</u>	<u>( 465,289)</u>	<u>( 14,442,853)</u>	<u>619,667</u>	<u>( 13,823,186)</u>
<u>( 1,317,318)</u>	<u>-</u>	<u>(6,000,000)</u>	<u>-</u>	<u>-</u>	<u>( 44,082,754)</u>	<u>-</u>	<u>( 44,082,754)</u>
-	-	-	-	-	27,640,000	-	27,640,000
-	-	220,000	-	-	1,542,656	-	1,542,656
<u>16,797,613</u>	<u>-</u>	<u>( 2,556)</u>	<u>2,556</u>	<u>( 113,390)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>15,480,295</u>	<u>( 2,556)</u>	<u>(5,777,444)</u>	<u>-</u>	<u>( 113,390)</u>	<u>( 14,900,098)</u>	<u>-</u>	<u>( 14,900,098)</u>
-	(20,839)	(2,553,985)	59,983	182,672	2,811,039	-	2,811,039
-	<u>48,630</u>	<u>2,598,284</u>	<u>379,193</u>	<u>543,473</u>	<u>18,654,940</u>	<u>-</u>	<u>18,654,940</u>
\$ <u>-</u>	<u>\$ 27,791</u>	<u>\$ 44,299</u>	<u>\$ 439,176</u>	<u>\$ 726,145</u>	<u>\$ 21,465,979</u>	<u>\$ -</u>	<u>\$ 21,465,979</u>

See accompanying independent auditors' report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENT OF CASH FLOWS  
June 30, 2010

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
<b>Cash flows from operating activities:</b>					
Increase (decrease) in net assets	\$ 22,957,310	\$( 896,876)	\$ 6,643,758	\$ 116,135	\$ (558,822)
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Change in fair value of derivative instruments	( 1,266,674)	1,804,452	935,259	-	-
Beneficial interest in net assets of Foundations, net	-	507,264	( 469,815)	-	-
Net realized and unrealized gains on investments other than trading securities	( 6,550,177)	-	-	-	(188,944)
Depreciation and amortization	-	10,302,951	10,613,113	106,404	337,412
Contributions for property	( 5,620)	( 315,343)	( 1,125,682)	-	-
Changes in:					
Patient accounts receivable	-	306,889	( 1,363,322)	119,896	672,452
Other receivables	( 20,769)	( 726,767)	113,012	600	( 18,612)
Inventories	-	( 743,581)	263,915	-	-
Prepaid expenses	( 22,612)	15,546	192,352	( 6,513)	37,769
Estimated third-party payor settlements	-	( 884,471)	( 625,336)	( 933)	( 3,367)
Accounts payable	( 1,605,328)	32,768	467,593	94,365	( 92,005)
Accrued liabilities	1,345,711	496,621	40,492	( 50,435)	( 5,830)
Accrued self-insurance claims	( 509,605)	-	-	-	-
Accrued pension costs, net	( 2,950,026)	-	-	-	-
Deferred compensation payable	-	27,927	153,754	-	271,834
<b>Net cash provided by operating activities</b>	<u>11,372,210</u>	<u>9,927,380</u>	<u>15,839,093</u>	<u>379,519</u>	<u>451,887</u>

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ 176,205	\$ 3,540,633	\$ 2,946,718	\$ 185,155	\$ 2,788,269	\$ 37,898,485	\$(14,941,173)	\$ 22,957,312
( 512,250)	-	-	-	-	960,787	-	960,787
-	-	-	-	-	37,449	-	37,449
-	-	-	-	(1,987,042)	( 8,726,163)	-	( 8,726,163)
1,838,746	21,041	1,282,616	129,131	-	24,631,414	-	24,631,414
-	3,105	( 550,000)	-	-	( 1,993,540)	-	( 1,993,540)
-	578,894	(1,405,416)	67,002	-	( 1,023,605)	-	( 1,023,605)
( 28,940)	47,447	( 177,396)	6,103	-	( 805,322)	-	( 805,322)
-	512,442	-	-	-	32,776	-	32,776
( 23,962)	( 6,292)	( 73,330)	( 1,200)	500	112,258	-	112,258
-	-	-	-	-	( 1,514,107)	-	( 1,514,107)
( 110,480)	50,755	97,351	( 787)	( 9,761)	( 1,075,529)	-	( 1,075,529)
5,031	119,680	209,984	(201,950)	( 13,735)	1,945,569	-	1,945,569
-	-	-	-	1,040,390	530,785	-	530,785
-	-	-	-	-	( 2,950,026)	-	( 2,950,026)
-	-	-	-	-	453,515	-	453,515
<u>1,344,350</u>	<u>4,867,705</u>	<u>2,330,527</u>	<u>183,454</u>	<u>1,818,621</u>	<u>48,514,746</u>	<u>(14,941,173)</u>	<u>33,573,573</u>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENT OF CASH FLOWS, Continued  
June 30, 2010

	St. Joseph's/ Candler Health System	Candler Hospital	St Joseph's Hospital	SJC Home Health	SJC Medical Group
<b>Cash flows from investing activities:</b>					
Purchases of property and equipment	<u>\$ ( 2,058,360)</u>	<u>\$ (3,975,634)</u>	<u>\$ (5,280,551)</u>	<u>\$ ( 59,794)</u>	<u>\$ ( 399,439)</u>
Proceeds from sale of assets limited as to use	<u>55,842,863</u>	<u>5,500,482</u>	<u>2,823,841</u>	<u>-</u>	<u>1,805</u>
Purchases of assets limited as to use	<u>(61,008,266)</u>	<u>(7,333,934)</u>	<u>(4,808,187)</u>	<u>-</u>	<u>( 305,718)</u>
Investment in affiliates	<u>(14,941,173)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sales (purchases) of long-term investments, net	<u>-</u>	<u>(1,224,136)</u>	<u>236,180</u>	<u>-</u>	<u>37,722</u>
Purchase of Savannah Oncology Group	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(22,164,936)</u>	<u>(7,033,222)</u>	<u>(7,028,717)</u>	<u>( 59,794)</u>	<u>( 665,630)</u>
<b>Cash flows from financing activities:</b>					
Repayment of long-term debt	<u>( 910,000)</u>	<u>(2,625,000)</u>	<u>(1,335,000)</u>	<u>-</u>	<u>-</u>
Proceeds from issuance of long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contributions for property	<u>5,620</u>	<u>315,343</u>	<u>1,125,682</u>	<u>-</u>	<u>-</u>
Transfers from (to) affiliates, net	<u>9,116,749</u>	<u>( 583,775)</u>	<u>(8,601,055)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>8,212,369</u>	<u>(2,893,432)</u>	<u>(8,810,373)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>( 2,580,357)</u>	<u>726</u>	<u>3</u>	<u>319,725</u>	<u>( 213,743)</u>
Cash and cash equivalents, beginning of year	<u>17,248,243</u>	<u>3,770</u>	<u>7,245</u>	<u>( 51,514)</u>	<u>351,262</u>
Cash and cash equivalents, end of year	<u>\$ 14,667,886</u>	<u>\$ 4,496</u>	<u>\$ 7,248</u>	<u>\$ 268,211</u>	<u>\$ 137,519</u>

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$( 47,222)	\$ 75,523	\$ 636,617	\$ ( 11,199)	\$ -	\$ ( 11,120,059)	\$ -	\$ ( 11,120,059)
2,340,517	-	-	-	22,078,897	88,588,405	-	88,588,405
(2,378,565)	-	-	-	(24,261,560)	(100,096,230)	-	(100,096,230)
-	-	-	-	-	( 14,941,173)	14,941,173	-
( 4,080)	197,570	( 297,027)	-	-	( 1,053,771)	-	( 1,053,771)
_____	(5,200,000)	(56,123,396)	_____	_____	( 61,323,396)	_____	( 61,323,396)
( 89,350)	(4,926,907)	(55,783,806)	( 11,199)	( 2,182,663)	( 99,946,224)	14,941,173	( 85,005,051)
(1,255,000)	-	( 5,500,000)	-	-	( 11,625,000)	-	( 11,625,000)
-	-	61,000,000	-	-	61,000,000	-	61,000,000
-	( 3,105)	550,000	-	-	1,993,540	-	1,993,540
_____	_____	_____	_____	68,081	_____	_____	_____
(1,255,000)	( 3,105)	56,050,000	_____	68,081	51,368,540	_____	51,368,540
-	( 62,307)	2,596,721	172,255	( 295,961)	( 62,938)	-	( 62,938)
_____	110,937	1,563	206,938	839,434	18,717,878	_____	18,717,878
\$ _____	\$ 48,630	\$ 2,598,284	\$ 379,193	\$ 543,473	\$ 18,654,940	\$ _____	\$ 18,654,940

See accompanying independent auditors' report on combining information.

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 58-0593388  
**Name:** CANDLER HOSPITAL INC

**Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)					(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee			
PAUL P HINCHEY PRESIDENT &	20 00	X		X			381,490	397,061	263,109
ROBERT H DEMERE JR CHAIRMAN	1 00	X		X			0	0	0
WILLIAM E JOHNSTON VICE CHAIR	1 00	X		X			0	0	0
SR HELEN AMOS RSM TRUSTEE	1 00	X					0	0	0
JAMES BASS TRUSTEE	1 00	X					0	0	0
FRANK BROWN TRUSTEE	1 00	X					0	0	0
DAVID V CAPALLO MD TRUSTEE	1 00	X					0	0	0
ROBERT E JAMES TRUSTEE	1 00	X					0	0	0
EMILY KEHOE TRUSTEE	1 00	X					0	0	0
WALTER N LEWIS TRUSTEE	1 00	X					0	0	0
SALLY LUFBURROW TRUSTEE	1 00	X					0	0	0
J CLIFF MCCURRY TRUSTEE	1 00	X					0	0	0
SR MARY KAREN MCNALLY RSM TRUSTEE	1 00	X					0	0	0
JAMES ALLEN MEADOWS III MD TRUSTEE	1 00	X					0	0	0
HENRY MINIS TRUSTEE	1 00	X					0	0	0
O GEORGE NEGREA MD TRUSTEE	1 00	X					0	0	0
JOHN W ODOM MD TRUSTEE	1 00	X					0	0	0
REGINALD ROBINSON MD TRUSTEE	1 00	X					0	0	0
SR MARY JUDE WALSH RSM TRUSTEE	1 00	X					0	0	0
GREGORY J SCHAACK CFO	20 00			X			207,757	216,237	44,731
GREGORY A HARB COO	20 00			X			187,310	194,955	39,075
SHERRY A DANELLO VP	20 00				X		160,146	166,682	57,737
JAMES I SCOTT MD VP	20 00				X		135,605	141,139	40,168
DONALD H STUBBS VP	20 00				X		126,081	131,228	46,494
VIVIAN M AUSTIN VP	20 00				X		123,013	128,034	36,667

**Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)				(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Office	Key employee Highest compensated employee			
WILLIAM M CARR VP	20 00			X		121,503	126,463	28,003
PETER M SCHENK VP	20 00			X		121,069	126,011	55,325
GEORGE H EVANS VP	20 00			X		111,660	116,218	30,541
TARRY M HODGES DIR GOVT REL	40 00				X	164,199	0	11,252
LILIA D CRUZ RN	40 00				X	160,890	0	28,570
MELISSA H ALLEN DIR MARKETIN	40 00				X	155,145	0	13,928
JOSEPH L LOYA DIR MATERIAL	40 00				X	147,815	0	19,075
PAUL E CARPENTER PHARMACY MAN	40 00				X	145,380	0	22,719